

Calgary Foundation

Annual Financial Report

6/12/2017

Year Ended March 31

2017

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Management Discussion and Analysis

For the year ended March 31, 2017

Management's discussion and analysis ("MD&A") is provided to enable a reader to assess our financial condition and results of operations for the fiscal year ended March 31, 2017, compared to preceding years. This MD&A should be read in conjunction with our audited financial statements and related notes dated June 12, 2017. All amounts are based on financial statements prepared in accordance with Canadian accounting standards for not-for-profit organizations except activity, attendance or participation figures. The Calgary Foundation ("the Foundation") operates in accordance with the Calgary Foundation Act (Alberta, 1955, 2000) and bylaws and within the regulatory framework of the Income Tax Act (Canada), the Canada Revenue Agency guidelines and the Charitable Fund-raising Act and Regulations (Alberta). The Foundation has adopted Volunteer Canada's Code for Volunteer Involvement, Community Foundations of Canada's criteria for membership and is accredited under Imagine Canada's Standards Program.

Forward-looking statements

This report contains forward-looking statements about certain matters that are, by their nature, subject to many risks and uncertainties which may cause actual results to differ materially from the statements made herein. Forward-looking statements include, but are not limited to, objectives, strategies, initiatives, and the outlook for the Foundation. Risks and uncertainties include, but are not limited to, changing markets, legislation, demographics and general economic factors or conditions, and other risks, known or unknown.

VISION AND MISSION

The Foundation exists for community, forever – to nurture a great community that supports all people, where a strong charitable sector addresses community needs now and in the future and a community where we all belong.

To achieve this vision, the Calgary Foundation:

- Knows the community and its needs and opportunities
- Engages citizens in community building
- Inspires philanthropy and matches donors with the needs about which they care deeply
- Builds a permanent endowment to address the needs of today and the needs of tomorrow that we cannot yet see
- Strengthens charities in all parts of the sector (360 degrees)

STRATEGY AND KEY RESULT AREAS

Leadership in community building

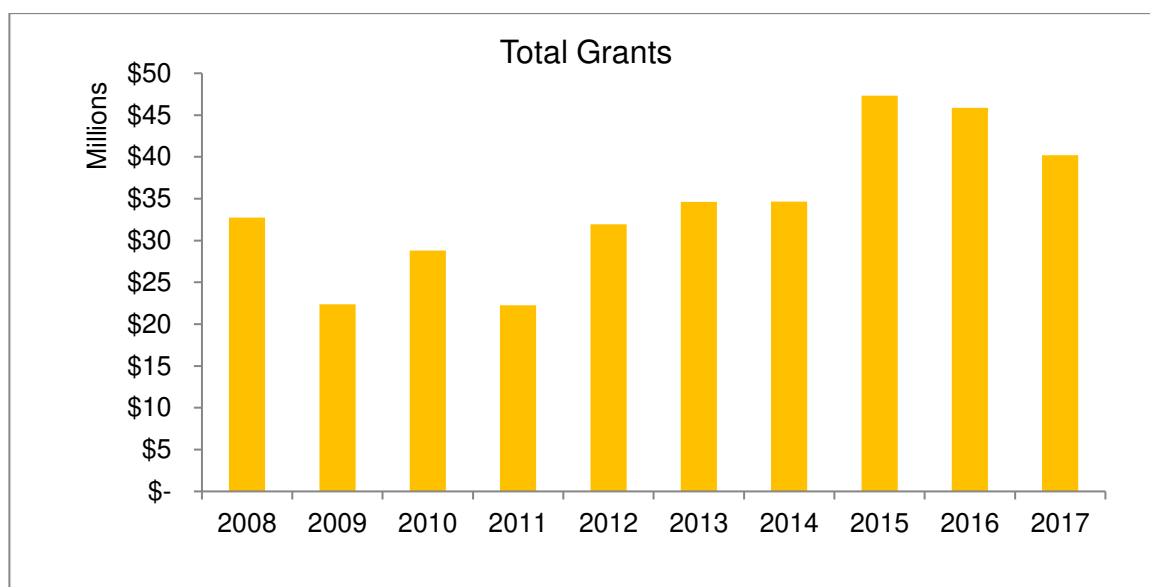
Desired Impact: Charitable sector is strengthened and citizens are engaged through the Foundation's grants and community initiatives.

Strengthening Charities

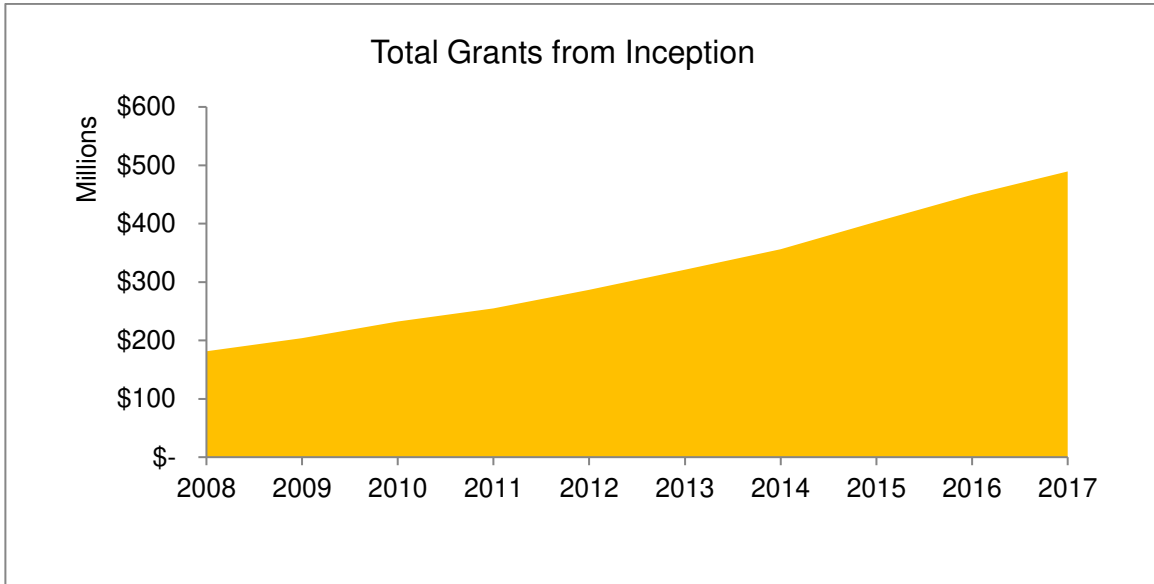
Grants

The Foundation provides grants to qualified donees (essentially other registered charities) to support all parts of the charitable community. Grants and awards engage citizens in building their communities and strengthening charitable organizations now and into the future. Grants from endowed funds are a percentage of the market value of the fund at fiscal year end. As the market value of endowed funds and the number of endowed funds grow, the number and dollar amount of grants will grow. The number and timing of grants from non-endowed funds also affect the total number and dollar amount of grants.

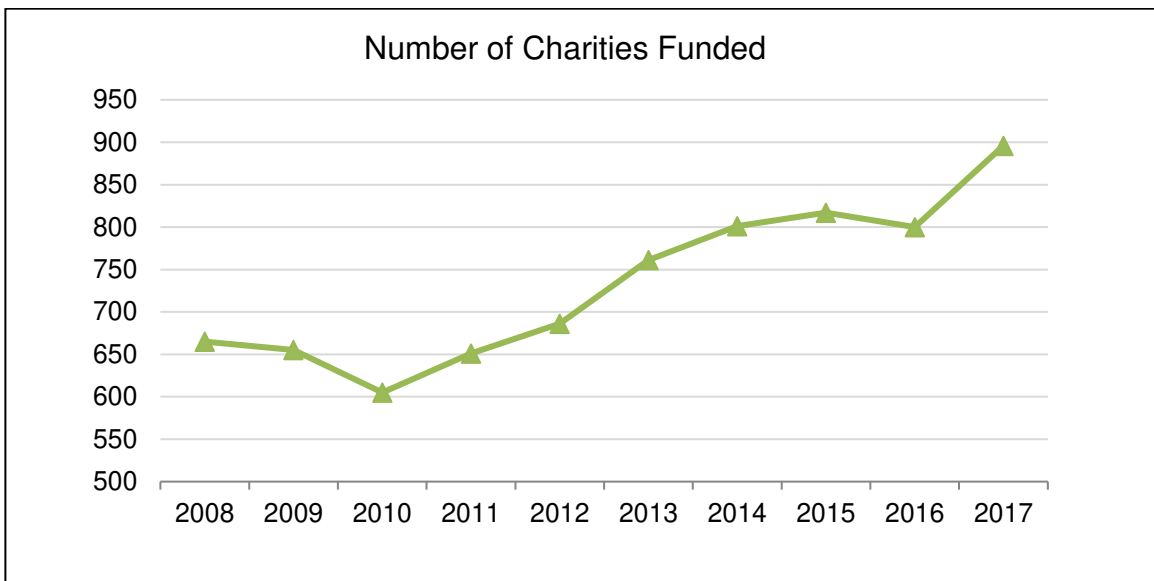
Foundation funds are flexible and adaptive to emerging community needs; responding to a need that may not have existed when the fund was created. In 2016, these unforeseen needs included the wildfires in Northern Alberta (more than \$1 million contributed to the Fort McMurray Rebuilding Fund at the Edmonton Community Foundation) and the Syrian Refugee Crisis (over \$180,000 contributed to support Syrian Refugee resettlement through the Calgary Catholic Immigration Society).



The total dollar value of grants from the Foundation from inception in April 1955 to the end of March 2017 is approximately \$489.5 million (2016 – \$449.3 million). Approximately 70% of that amount (\$340.7 million, 2016 – \$333.3 million) has been distributed to registered charities and like organizations in the last ten years.



As with the trend in the dollar amount of grants distributed, the number of charitable organizations who have received grants each year from the Foundation has trended upwards. This growth is a function of both the growth in the number of Calgary-based charities who are aware of the funding available from the Foundation as well the growth in the number of funds established at the Foundation for various charitable purposes.



Capacity-Building

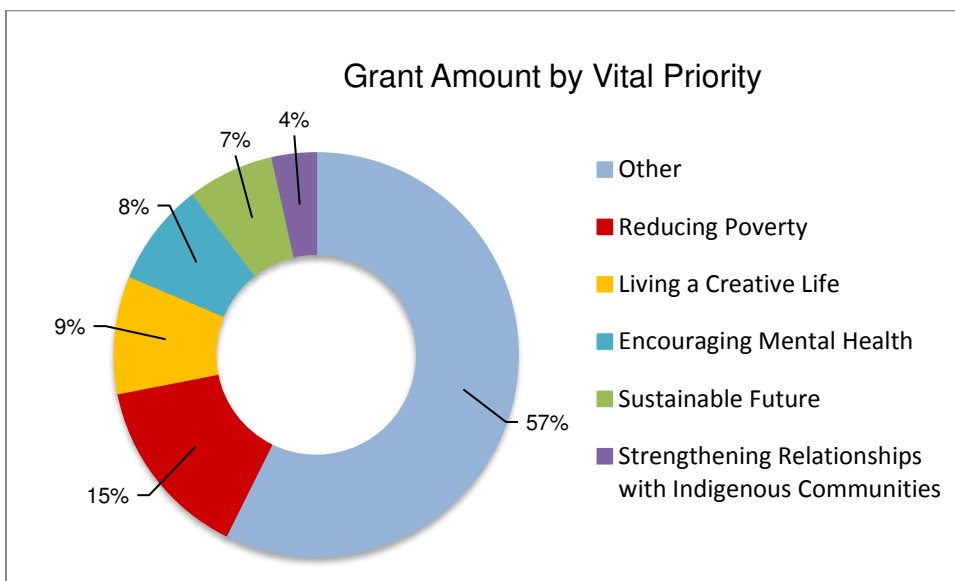
The Foundation provides support to qualified donees beyond grantmaking. The Foundation facilitates capacity-building workshops for grant recipients that focus on strengthening their capacity for: Fund Development; HR Issues; Risk Management; Board Recruitment and Board Relations. By creating cohorts to encourage collaborative learning, the Foundation is able to use its resources more efficiently than by providing individual grants to charities to pursue this work. Since 2013, the Foundation has invested \$180,000 into capacity-building initiatives. Had participating charities been awarded individual grants to perform the same work, the cost would have been approximately \$850,000.

Vital Priorities

In 2015, the Foundation, along with community partners and stakeholders, identified five Vital Priorities on which to place additional leadership and support for the next ten years. These Vital Priorities are:

- Living Standards: Poverty Reduction
- Arts: Living a Creative Life
- Wellness: Encouraging Mental Health
- Environment: Pursuing a Sustainable Future
- Community Connections: Strengthening Relations with Indigenous Populations

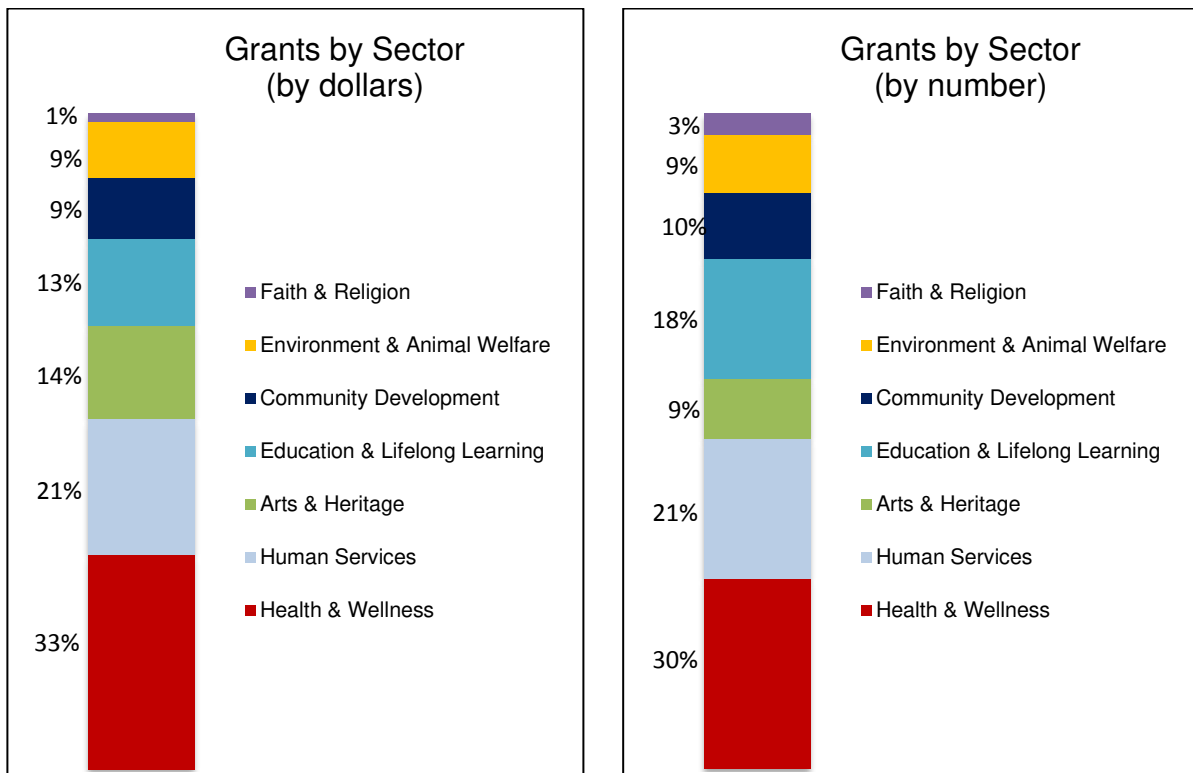
This year, the Foundation provided 593 grants worth \$17.6 million to specific initiatives that support the five Vital Priority areas. “Poverty Reduction” attracted the most financial support followed by “Living a Creative Life”. Both of these priorities benefit from the existence of established, well-known strategies that collaboratively address these issues. Additional financial support for the other three Vital Priorities will increase as the Foundation supports the emergence of similar, collaborative strategies.

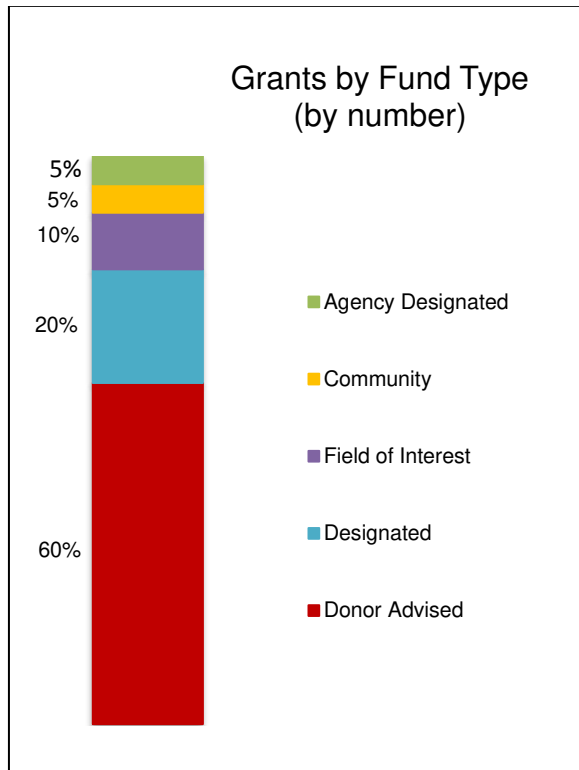
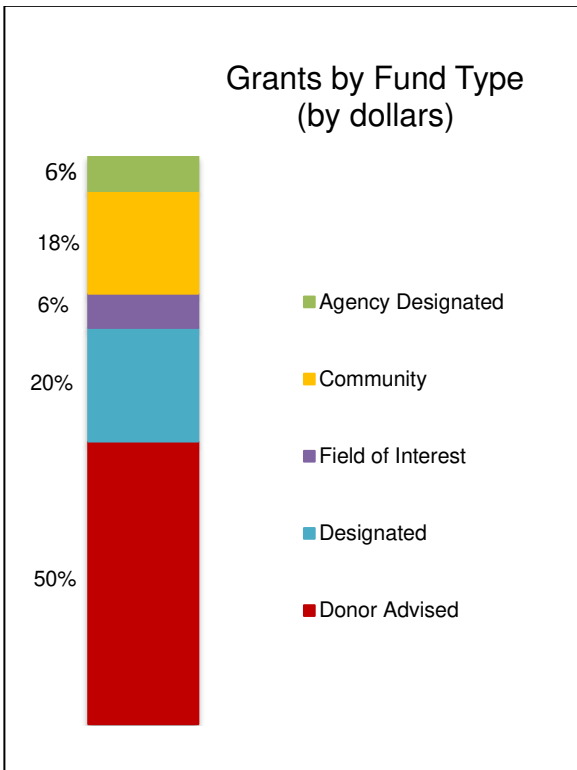
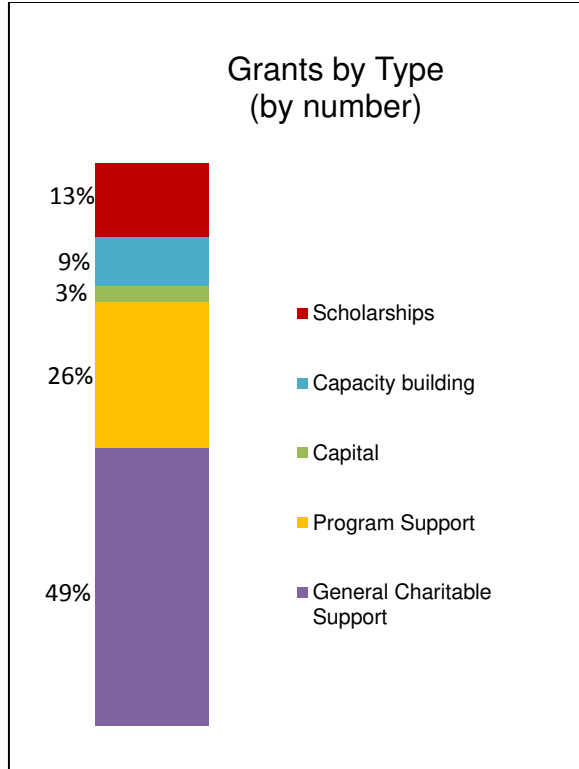
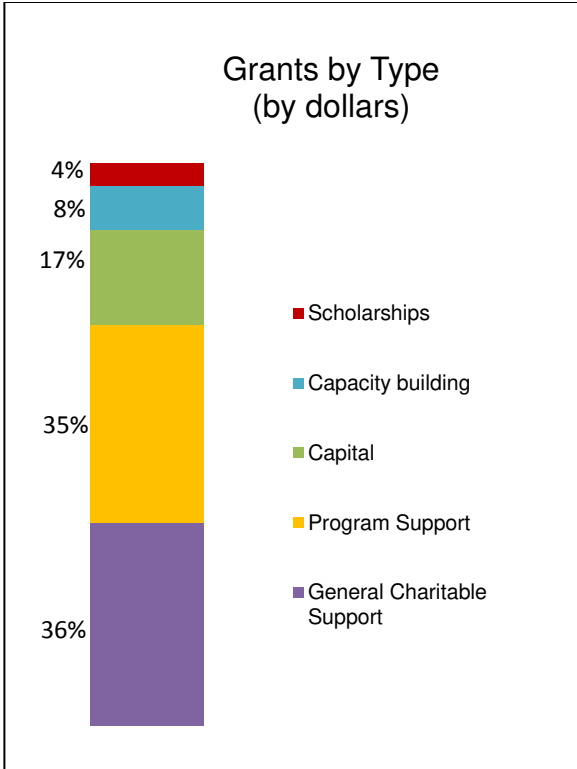


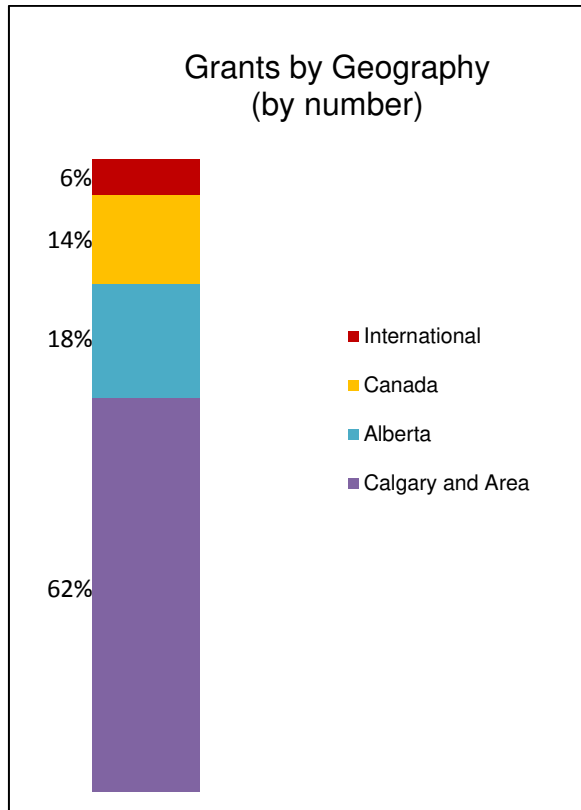
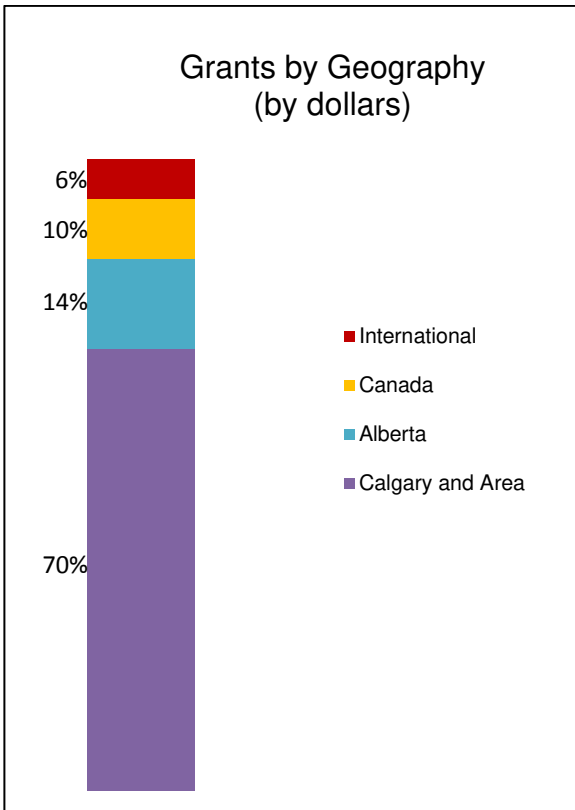
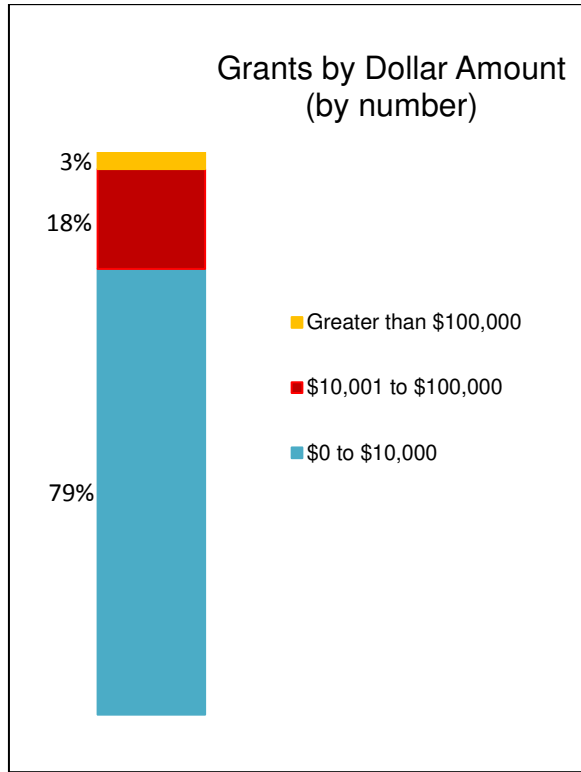
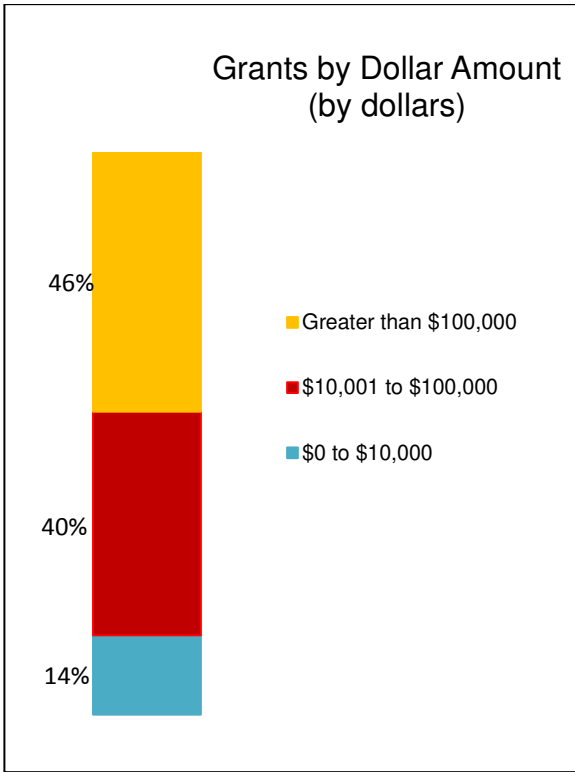
Impact

In order to grant strategically, for the most impact, it is necessary to study each of the priority areas to learn how to best support the work that needs to be done. In 2016, the Foundation completed its first evaluation that examined its efforts in the Vital Priorities areas. The first priority selected for evaluation was Encouraging Mental Health. Over the course of six months, grant staff read reports, interviewed service providers, and examined how Foundation grants aligned with the Alberta Health Services “Creating Connections” provincial strategy. The findings from this evaluation helped outline the evolving definition of basic needs in mental health, described the shift from program-centric design to client-centric design, and highlighted the importance of supporting collaboratives beyond grantmaking. The evaluation will help guide future grantmaking as the Foundation continues to support efforts in the field of mental health.

The following five charts offer insight into the total amount granted across all sectors in fiscal 2017:

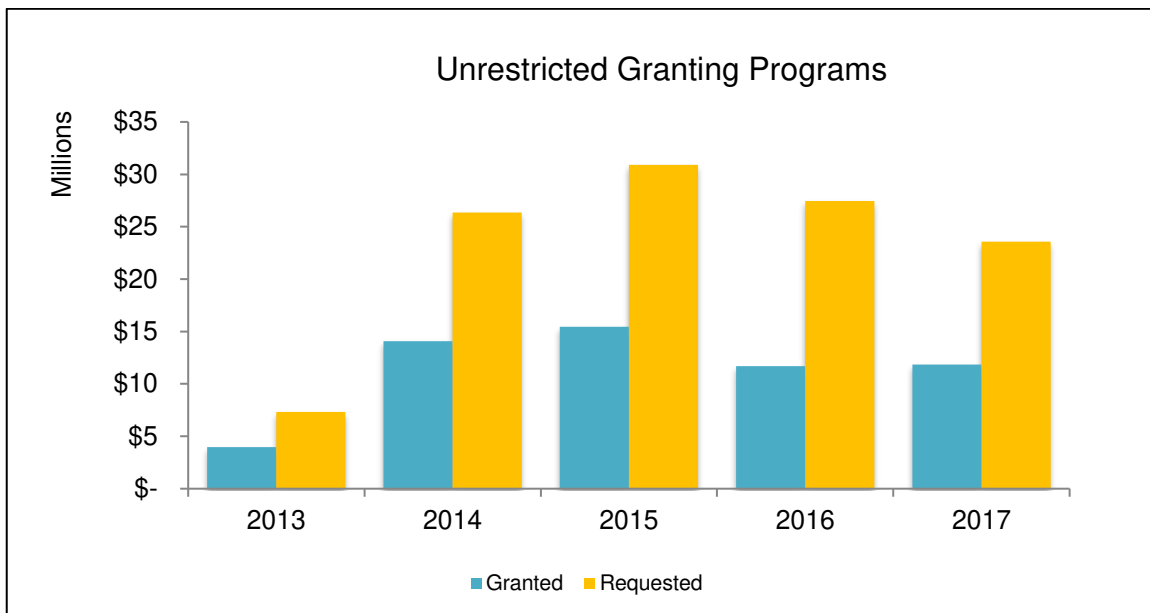


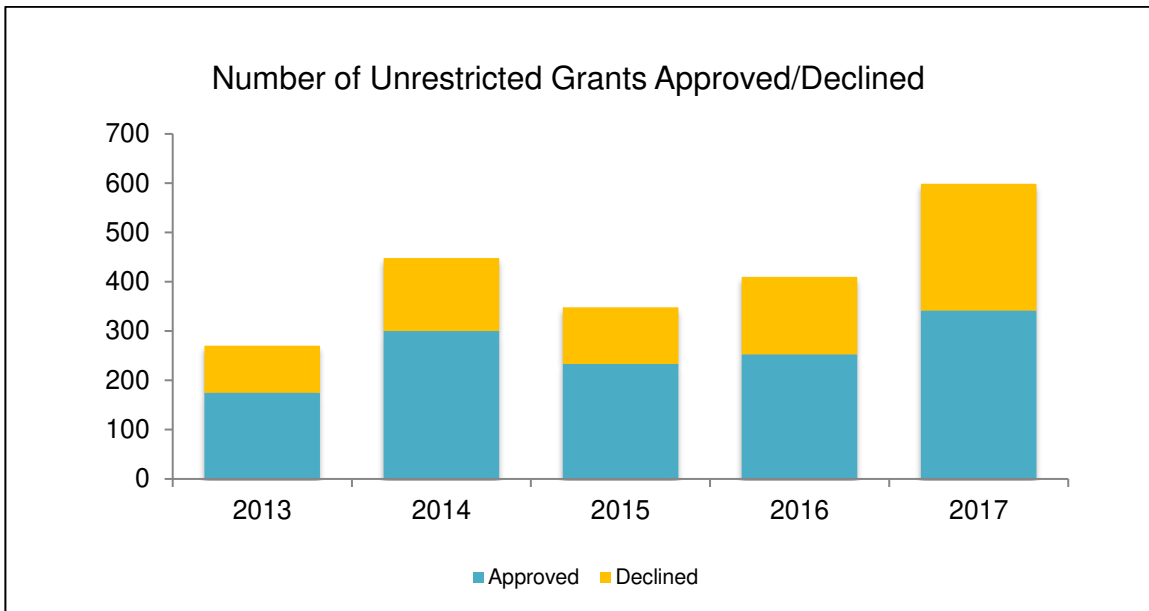




Unrestricted granting programs are funded by the Community and Field of Interest funds. These funds are generally endowment funds from which grants are directed to new and emerging needs of the community at the discretion of the Foundation. These granting programs are application based and encompass the following:

- Community Grants to support initiatives that respond to emerging community issues and evolving priorities
- Neighbour Grants to support resident-led projects that help create and strengthen the bonds of neighbourliness
- Small Grants to support organizations to take advantage of unique opportunities to advance their work
- Organization Transformation Grants for specific types of initiatives that support organizations in times of transition toward sustaining the long-term impact of their work,
- Stepping Stones Grants to encourage active citizenship by helping residents undertake small creative projects – neighbourly first steps – that benefit their local community
- Major and Signature Grants to assist charitable organizations in all parts of the charitable sector by providing grants to support single or multi-year, large-scale charitable initiatives that are broad in scope and transform our community. Grants support local or national initiatives that impact Calgary and area by addressing major issues and encouraging participation in charitable activities from a great number of citizens





Engaging Citizens

The Foundation’s vision is that all citizens be engaged in community building. The Foundation encourages active citizenship by helping residents undertake small, creative projects that benefit their local community or by supporting resident-led projects that help create and strengthen the bonds of neighbourliness. Whether through our Grassroots Granting Programs or Foundation-supported Jane’s Walks, last year 12,600 people were engaged in projects that helped them better understand their neighbourhoods and communities and strengthen a personal and collective sense of belonging.

Community Fund for Canada’s 150

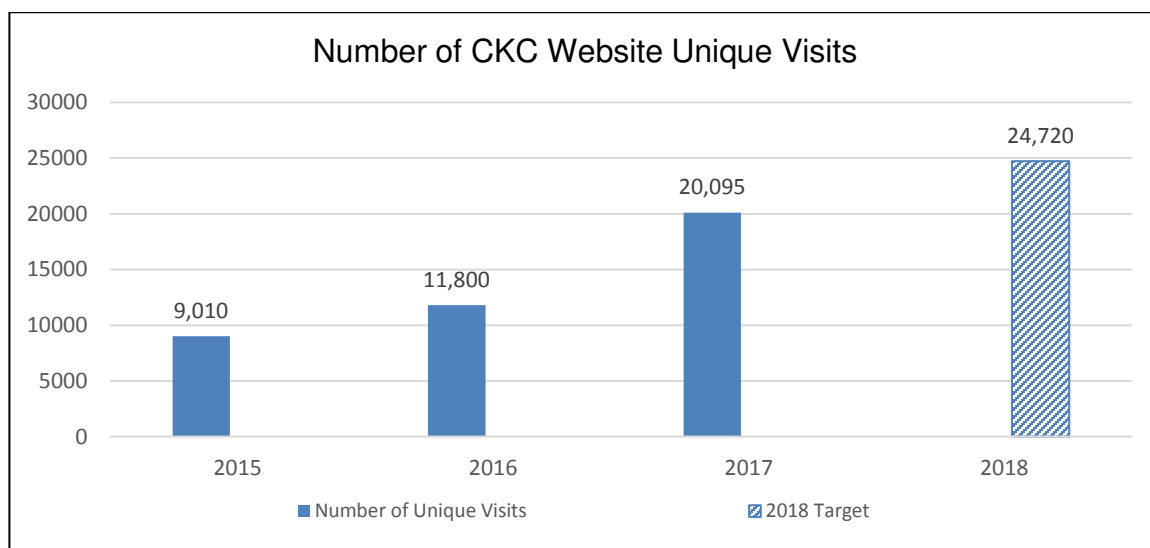
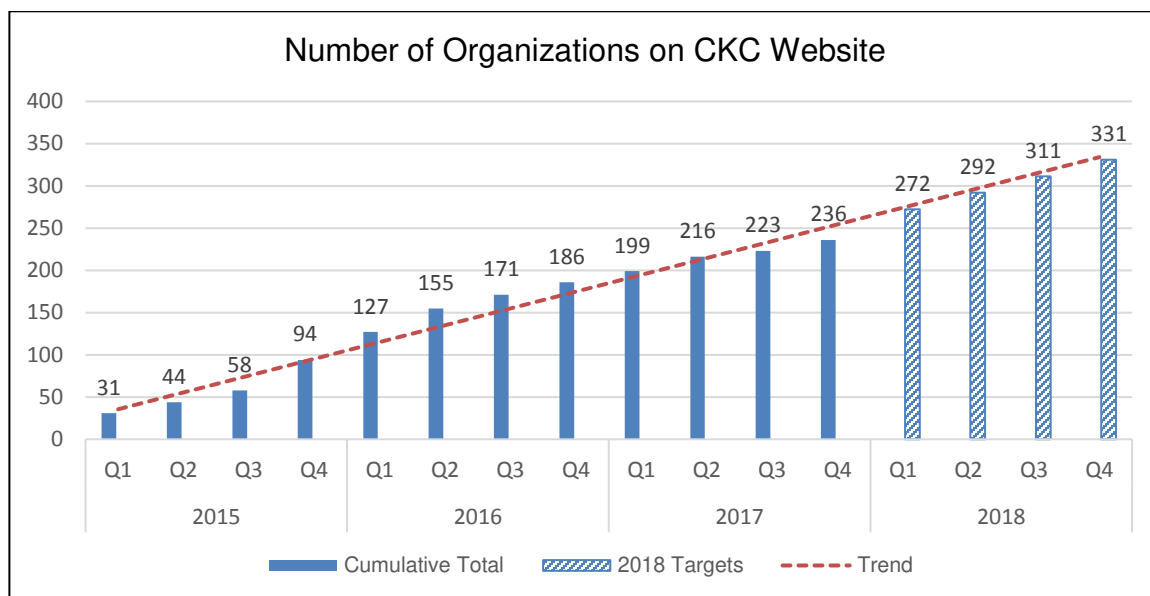
The Community Fund for Canada's 150th is a national initiative and collaborative effort seeded by the Government of Canada, matched, and delivered locally by community foundations. In Calgary, 67 organizations received \$520,000 in grants. These grants encourage citizens to engage in community activities and events that mark Canada’s 150th anniversary of Confederation. They inspire a deeper understanding about the people, places and events that shape our country and our communities. They build vibrant and healthy communities with the broadest possible engagement of all Calgarians, including Indigenous peoples, groups that reflect our cultural diversity, youth, and official language minorities.

Community Knowledge Centre

The Foundation’s Community Knowledge Centre (“CKC”) is a website that brings to life the work of registered charities in Calgary and area. Through individual CKC profiles, organizations can showcase their innovative and impactful solutions to community issues. Since its inception in 2014, CKC has been a resource to share the Foundation’s knowledge of community with donors,

charitable organizations, media and other key stakeholders. To increase CKC membership and improve the way CKC member organizations share the impact of their work, the Foundation provides capacity-building workshops focused on communications and storytelling.

As of March 31, 2017 CKC membership had grown to showcase 236 charitable organizations, accounting for a 51% growth from the previous fiscal year. In the coming years, additional resources will be allocated toward marketing campaigns, in order to increase awareness of CKC with the broader public.



Calgary's Vital Signs®

Calgary's Vital Signs marked a ten-year milestone in 2016. For the past decade, the report has featured expert research combined with the results of a citizen survey, where Calgarians assign grades in areas critical to quality of life. Citizen engagement plays a key role in the Vital Signs process and over 1,700 Calgarians took the Vital Signs survey in 2016 providing over 800 pages of comments.

As a nationally coordinated initiative of Community Foundations of Canada, the Foundation was one of 30 community foundations across Canada publishing a Vital Signs report in 2016. The Foundation also supported two new initiatives related to Vital Signs in 2016:

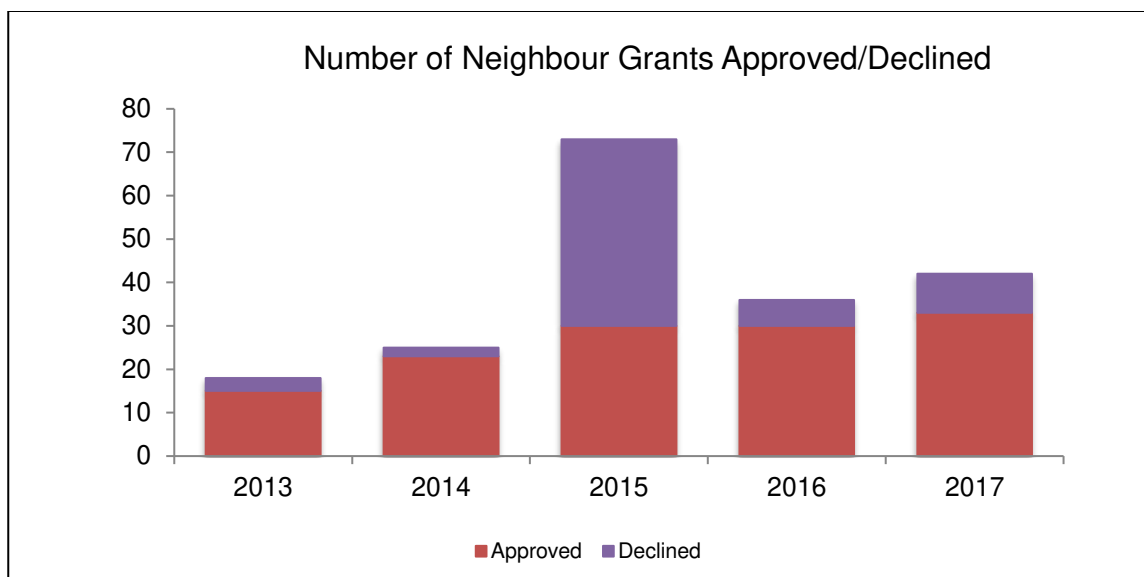
- Through financial support from the Foundation, the town of High River successfully published its first issue of Vital Signs.
- With the goal of reaching into new communities, the Foundation piloted the Vital Signs survey in Punjabi. Calgary was the first Canadian city to offer the survey in a language other than English or French.

The 2017 Calgary's Vital Signs report will shift focus to align with the Foundation's five Vital Priority areas. To strengthen the statistical validity of the results, a representative panel survey will be conducted, in addition to the citizen survey.

In addition, changes to the survey will allow responses to be positioned from an individual's perspective, as well as societal.

Soul of the City Neighbour Grants

In September 2012, Calgary Economic Development ("CED") launched the Soul of the City speaker series. The series aims to engage Calgarians and spark conversations about Calgary's quality of life, as well as understanding the reasons people live in Calgary. Starting in 2014, CED and the Foundation partnered to offer Soul of the City Neighbour Grants. Five projects were supported at \$5,000 each and had their story told through the film "Our City, Our Soul: Five Neighbourhood Projects". In 2016, RBC Foundation joined the partnership making each of the five grants now \$10,000. The five winning groups from 2016 were again featured in film.



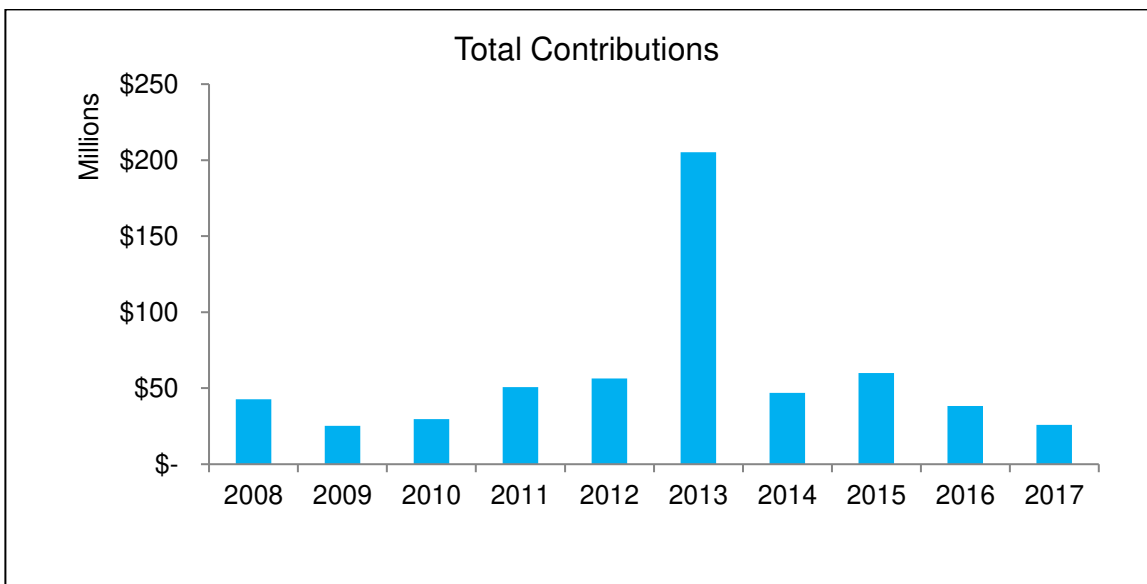
Donor Engagement

Desired Impact: Existing and potential donors, donor families, professional advisors and charitable partners experience the unique value the Foundation brings, affirming the Foundation as the philanthropic partner of choice for them in achieving their charitable goals.

The Foundation is committed to engaging donors by identifying community needs of interest for them, fostering stronger relationships and adding greater meaning to their philanthropy including a deliberate intergenerational engagement with donor families. We have expanded our services, scaled our resources, developed self-help and moderated tools and processes, and implemented a consistent, deliberate approach to donor engagement thereby fostering a culture of enabling a ‘values transfer’ culture. This dedicated approach has enabled the Foundation to be an inclusive philanthropic partner of choice for bringing together families and generating discussions about the impact they wish to make with their philanthropy.

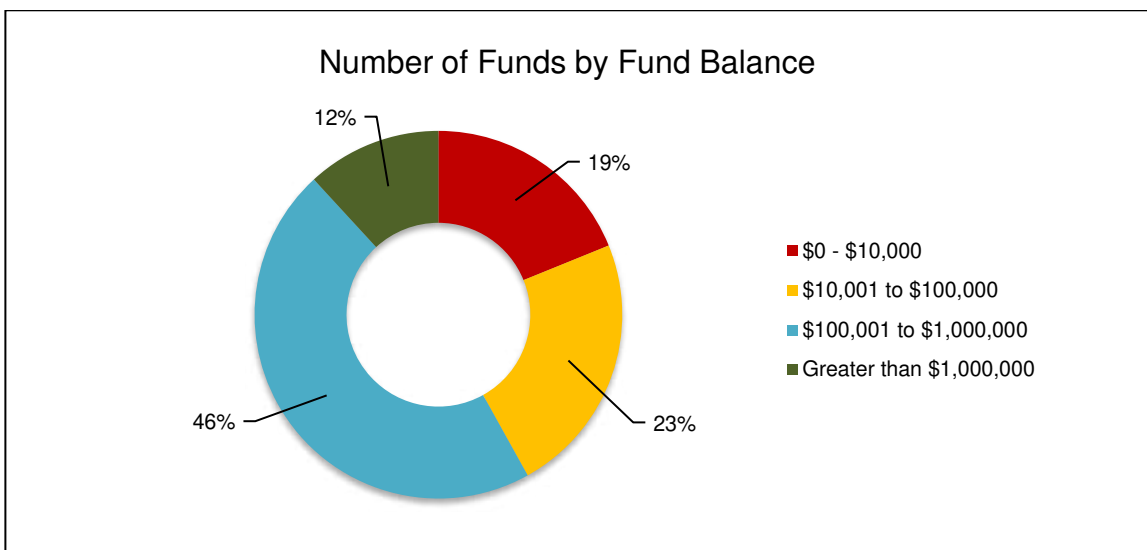
In fiscal 2014, we commissioned an organization-wide survey with all our donors to determine their satisfaction with our services in stewardship, community knowledge, understanding of their charitable giving plans, communications and expectations for community leadership. In response to that survey, we expanded our staff resources, developed refreshed material and updated processes to support the deepening of our engagement with fund founders and next generations, broadened the frequency and format of our narrative and impact in the charitable sector and established a designated foundation contact for each fundholder. In the last quarter of fiscal 2017, we repeated this survey and the overall results were a donor satisfaction rating of 5.93/7.00 (84.7%) as compared with 6.02/7.00 (86%) for the median when compared with other community foundations of similar size, composition of funds, staff resources and processes. The survey further cited that donors who use at least one Foundation resource, who have a designated

contact at the Foundation, or who want the Foundation to partner for advice and assistance with their giving decisions are significantly more likely to give to the Foundation in the future.

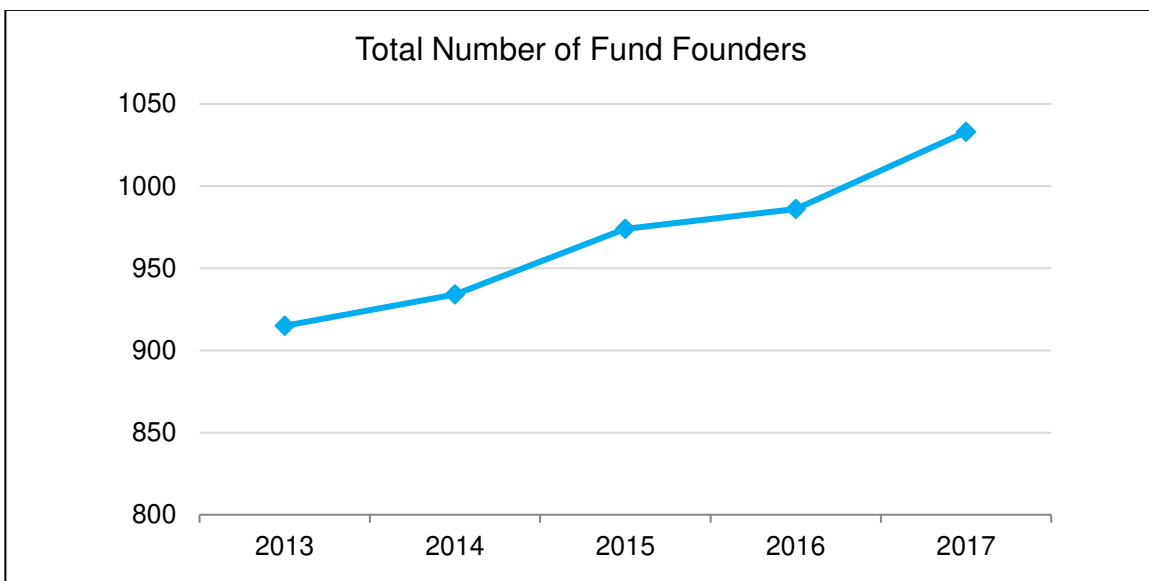
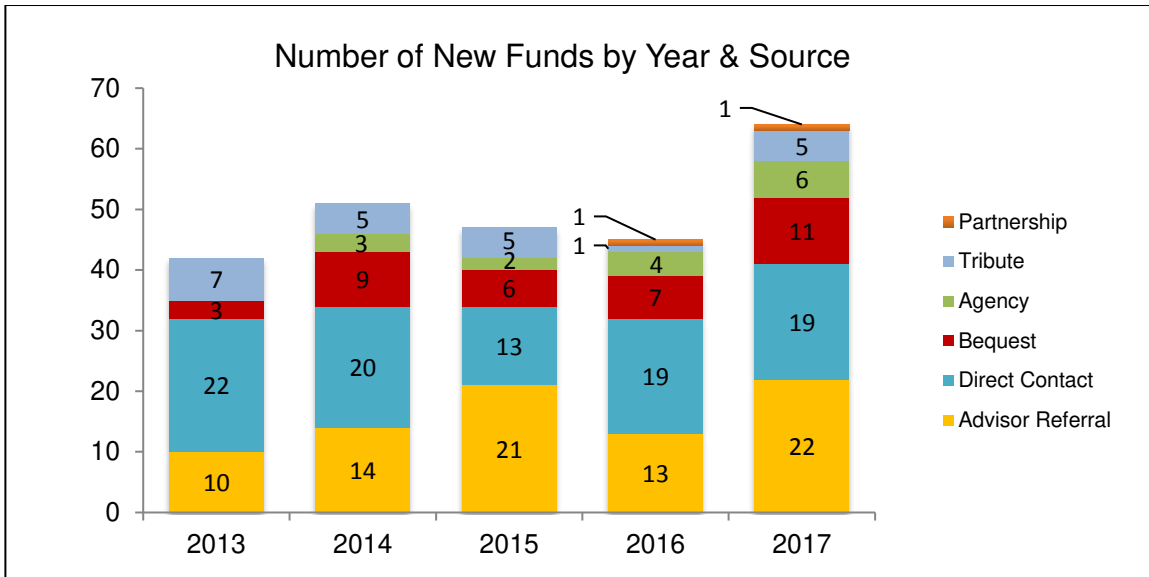


The Foundation welcomes gifts of any size knowing that each gift – the impact multiplied when endowed – has the ability to further the mission. Although individual funds are established with a minimum of \$10,000 (or a commitment to reach \$10,000 in the near-term) in order to maximize the impact of grants from the fund and use operational resources in an efficient manner, gifts of any amount can build existing funds.

Forty two percent (2016 – 60%) of all individual funds at March 31, 2017 had balances below \$100,000 and forty five percent (2016 – 33%) of that number represent funds established with less than \$10,000. These figures understate the number of funds established with less than \$10,000 due to investment growth through the many years of the Foundation’s existence.



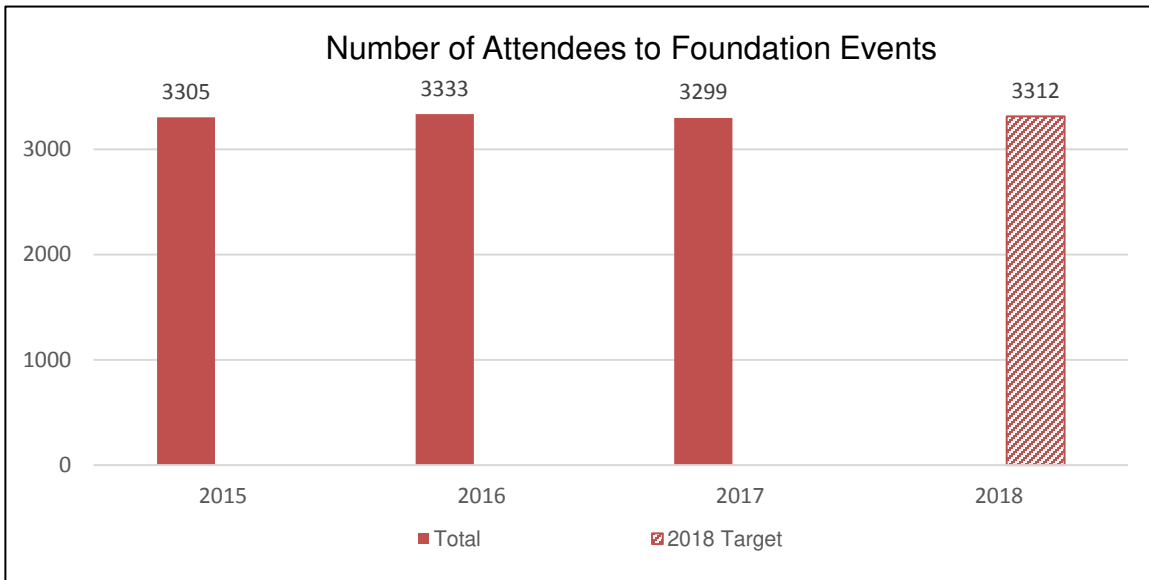
The Foundation works with existing and potential donors to create funds in many and varied ways that best suit each individual or organization. The number of new funds established each year, both living and testamentary, has varied within a relatively narrow range over the past five years. Direct contact with donors has often been the primary source of individual funds. The impact of referrals by professional advisors is growing as a contributor to the establishment of funds.



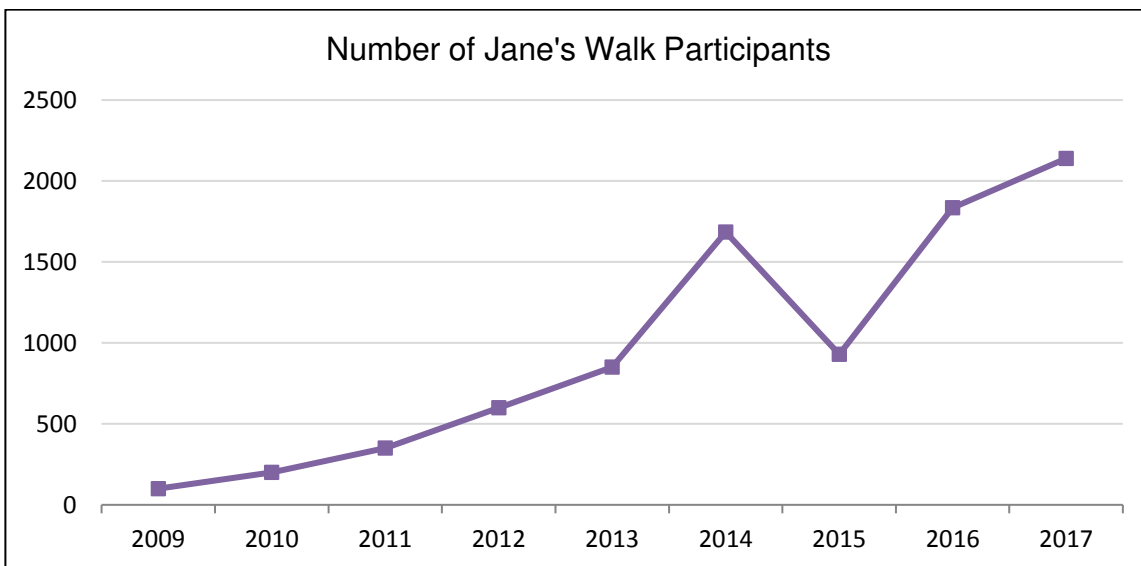
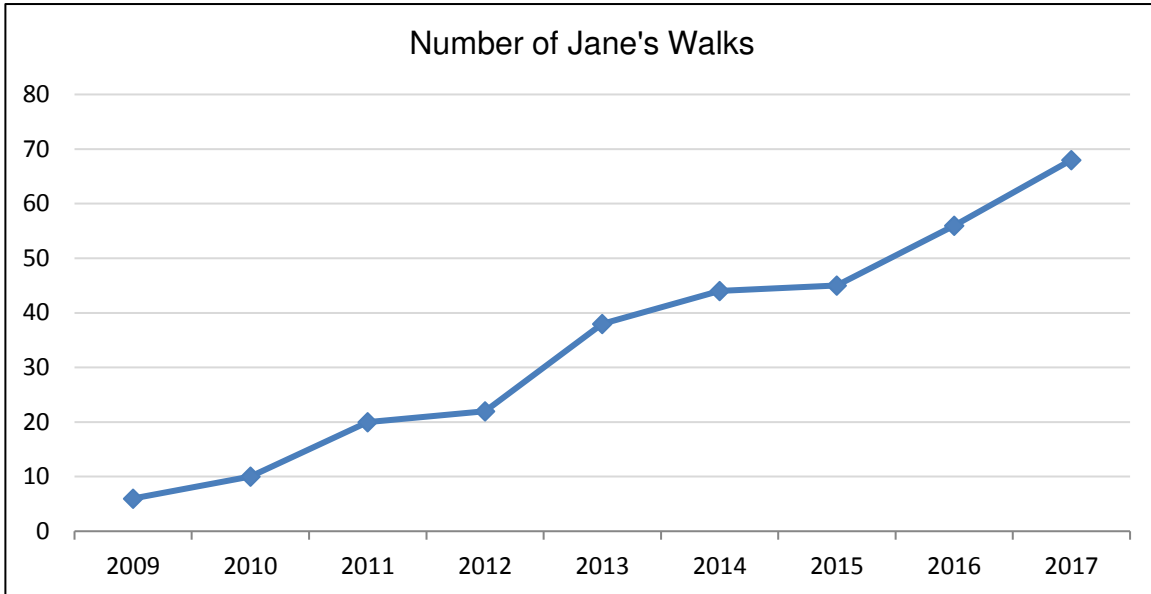
Public Confidence and Reputation

Desired Impact: Public knows and values the Foundation as a strategic advisor in philanthropy, an impactful grant maker and a knowledgeable community leader and convenor.

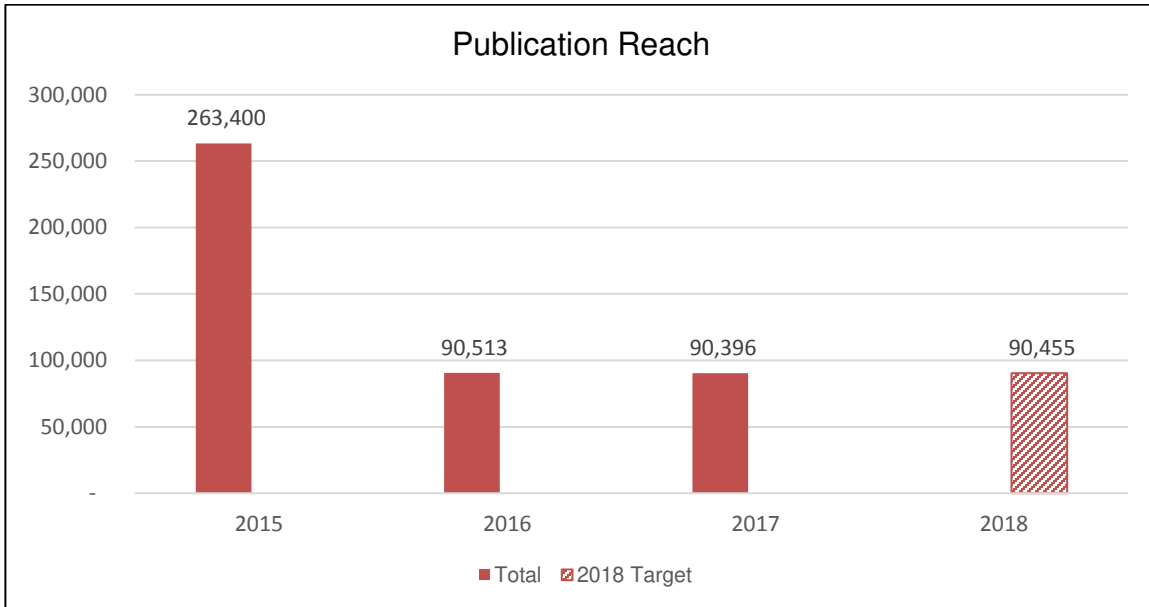
As a leader and convenor, the Foundation regularly brings together engaged citizens, donors, community leaders, as well as not-for-profit and business organizations. From small-scale gatherings focused on building the capacity of charities, to larger grassroots initiatives, the Foundation events encourage cross-sector connections and spark conversations. The annual Vital City event celebrates philanthropy and provides a Foundation year-in-review to an audience of over 600 citizens.



One of the Foundation's largest initiatives is the annual Jane's Walk weekend. Jane's Walk 2016 saw 68 volunteer-led walks, attended by a crowd of over 2,100 walkers – showing significant growth from just six walks and 100 walkers on its inception weekend in 2008.

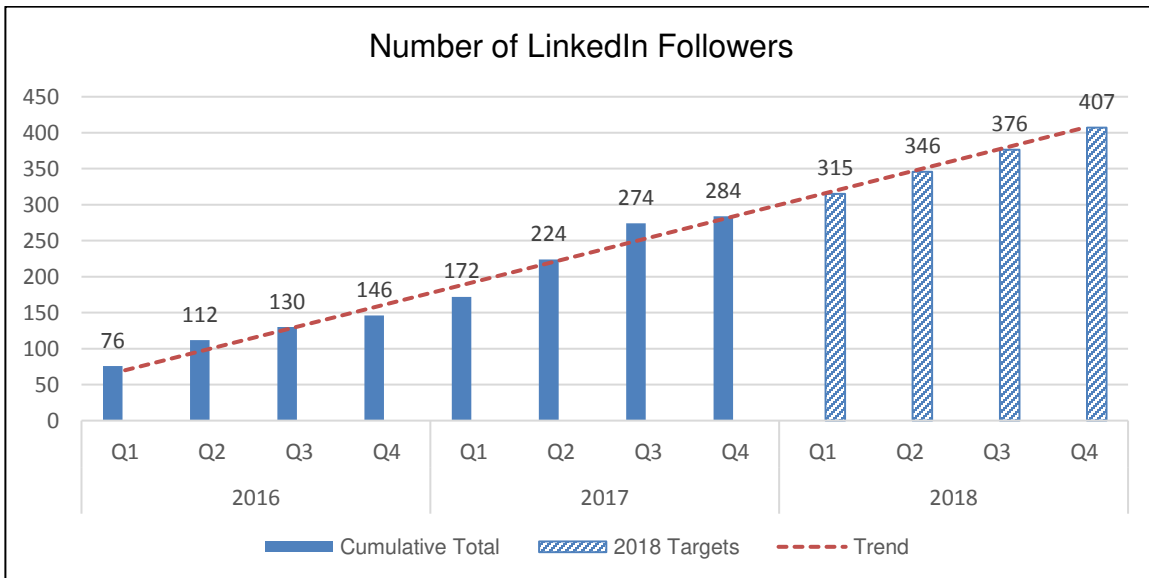
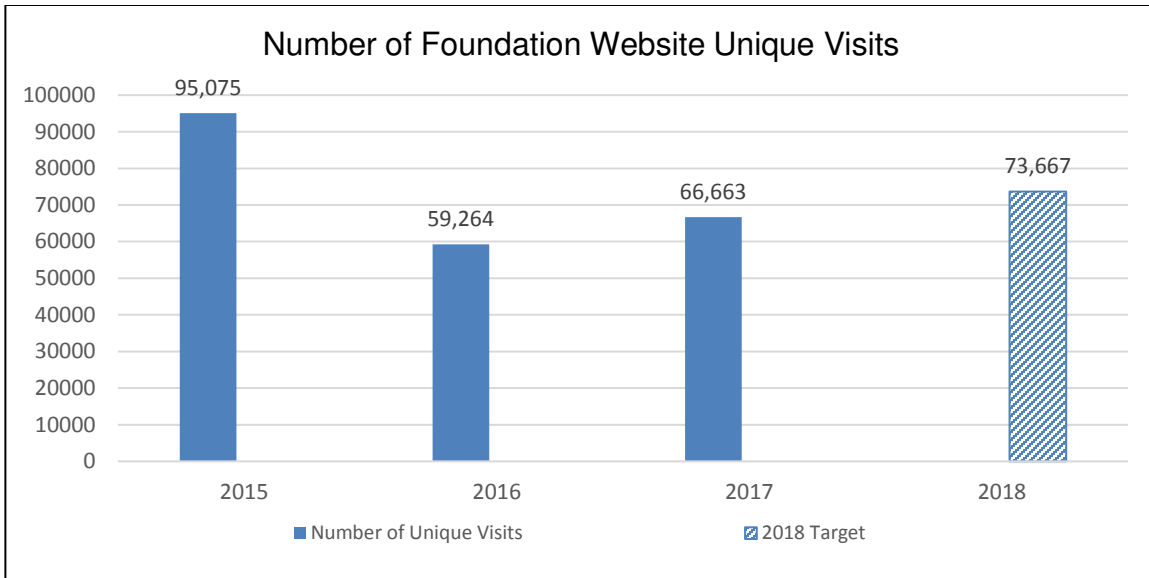


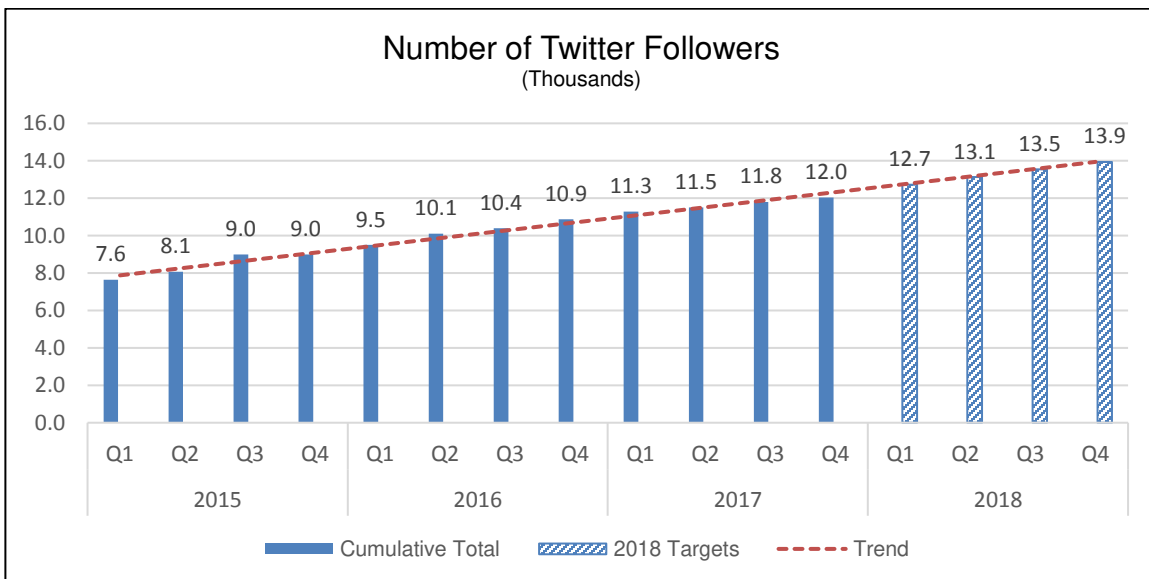
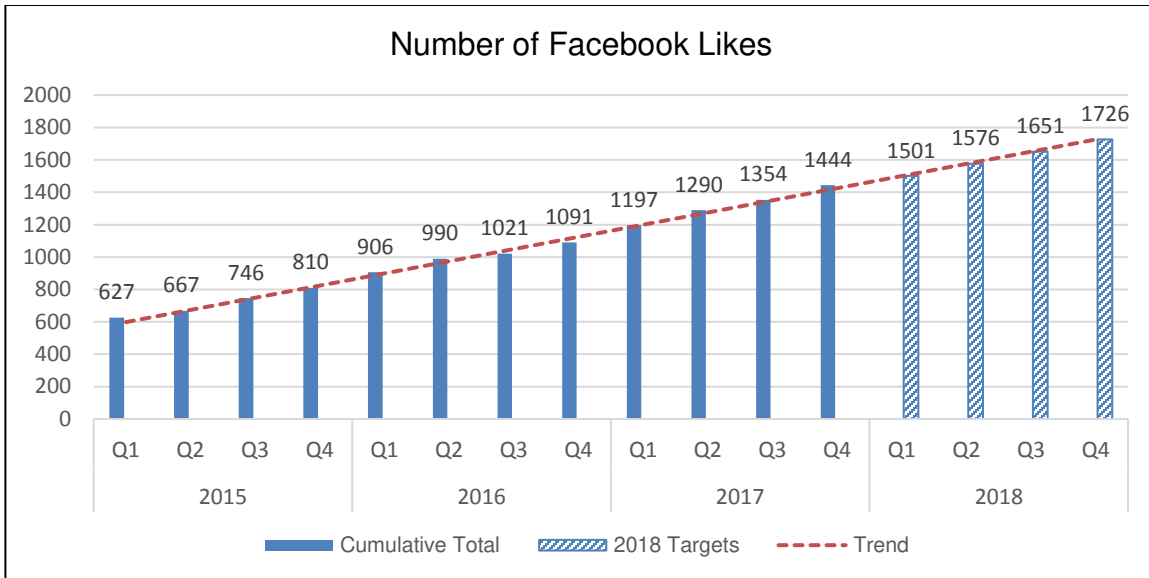
The Foundation’s external print publications include the Annual Report, Spur magazine, Vital Signs report and professional advisors newsletter, among others. The goal of all external publications is to grow the profile of the Foundation through compelling reporting. By sharing relevant research on timely topics, along with inspiring stories of impact, the Foundation works to elevate the profile of organizations and individuals who contribute to a strong, vibrant charitable sector.



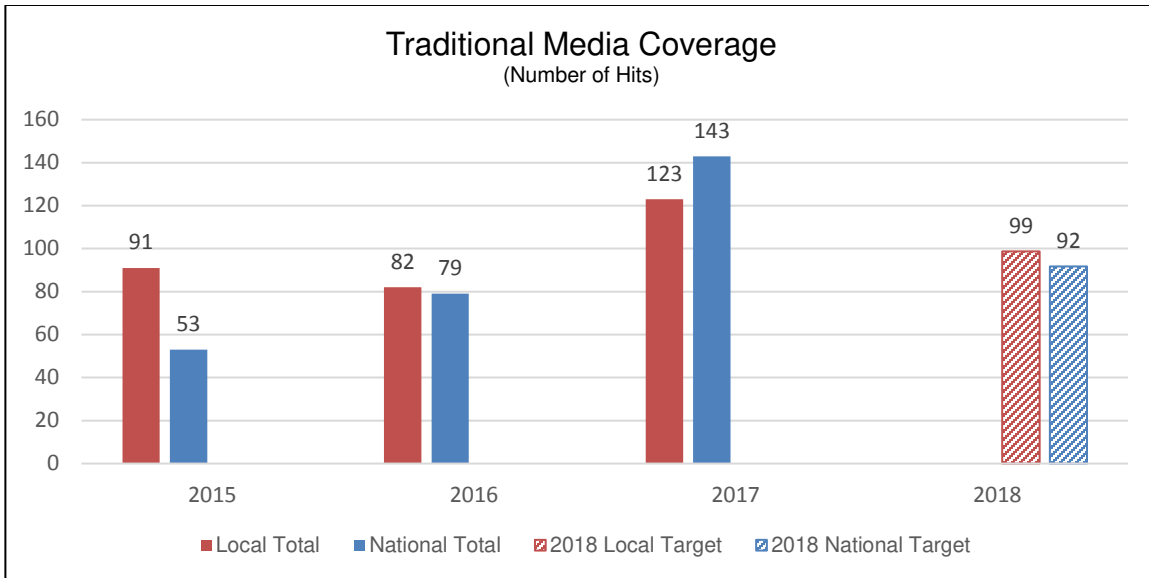
Social media platforms (Twitter, Facebook and LinkedIn) are used for promotion and marketing of Foundation events, initiatives and publications, and are also tools to amplify the work of the charitable sector and broader community. The Foundation is always refining and customizing channels and content to meet the needs of the Foundation and the organizations we support. The Foundation posts on a daily basis to promote upcoming events, support partner organizations and generate conversations with followers.

The role of the website in communicating the Foundation’s role and impact has become increasingly important. Plans are underway for a website redesign in the fall of 2017, with a complementary redesign to the CKC website.



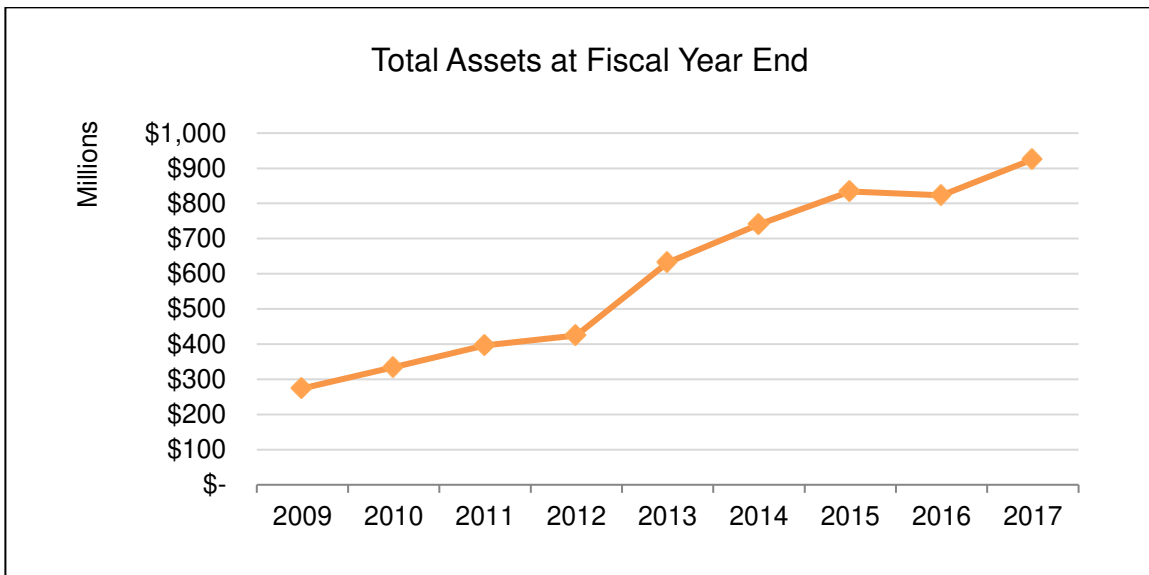


The Foundation’s solid 60+ year reputation has resulted in long-standing partnerships with media. Regardless of the changing media landscape, the Foundation continues to build on strong media relationships, resulting in solid media coverage in 2017. Large initiatives like Vital Signs and Jane’s Walk typically see the biggest coverage, but ongoing coverage comes from news, radio and television outlets, as well as online reporting.



Financial Assets

Desired Impact: A growing asset base where capital is preserved while maximizing benefits and impact to community.



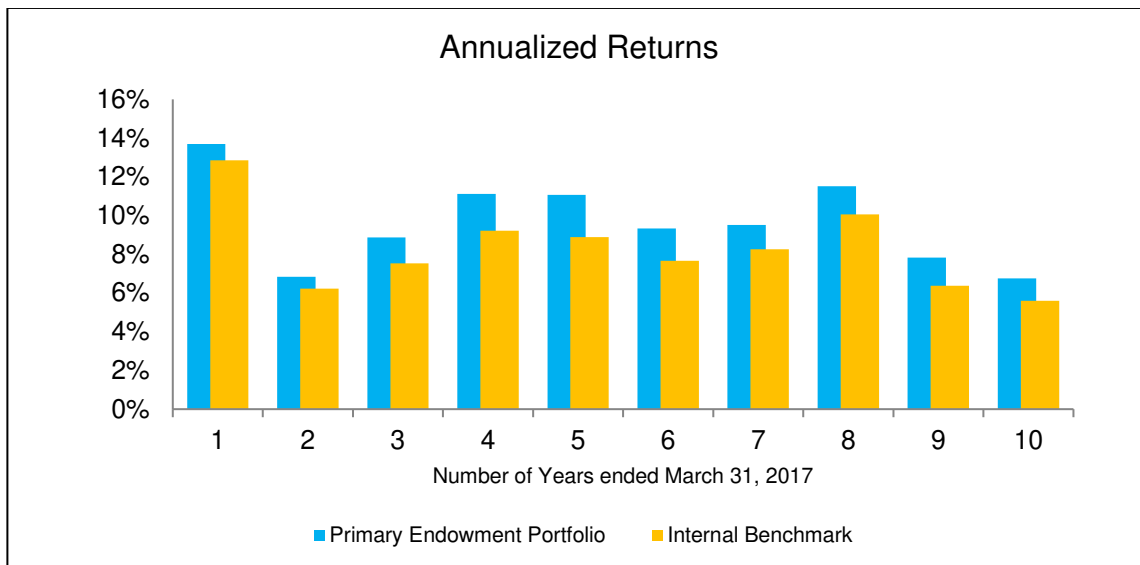
Investments

The Foundation has a robust management and governance structure in place to monitor and maintain the primary endowment portfolio (the “Endowment”) of \$828.7 million at March 31, 2017 which represents 90% of the charity’s total assets (2016 – \$724.0 million, 88% of total assets). The Foundation’s primary objective is to earn a rate of return over the long term that preserves the real purchasing power of the Endowment, approximately 5.0% over a moving 10-year period.

The Foundation recognizes that it must take on some risk to execute its strategy, and that there are uncertainties and complexities when investing in capital markets. Accordingly, the Foundation utilizes the expertise of external investment managers that work in accordance with the Statement of Investment Policy and Procedures (the “Policy”) to implement the strategy. The Policy formulates the objectives and principal governance for prudent investment of the Endowment and uses a total return strategy that adds capital gains to other potential income sources to achieve the long-term return objective.

Endowment Portfolio Performance

The Endowment’s internal performance benchmark is a weighting of indices based on the optimal asset mix outlined by the Policy. The chart represents the 1 – 10 year annualized performance for the period ended March 31, 2017.



	2017		2016	
	Annual Performance	Asset Allocation	Annual Performance	Asset Allocation
Endowment	13.70%		0.40%	
Asset Class:				
Cash and equivalents	0.7%	3.2%	0.32%	1.1%
Canadian fixed income	1.5%	16.6%	0.8%	19.4%
High yield bonds	16.1%	5.4%	-5.9%	5.3%
Canadian large cap equity	17.7%	21.7%	-2.7%	24.8%
Canadian small cap equity	21.6%	6.0%	1.6%	5.7%
Global equity	13.9%	26.8%	0.5%	28.7%
Emerging market equity	16.1%	5.2%	-5.5%	5.1%
Real estate	9.5%	5.1%	30.3%	3.7%
Private equity	40.7%	7.0%	10.4%	5.5%
Infrastructure	2.5%	3.0%	-	0.7%

The Endowment felt the burden of investor uncertainty in the first part of 2016, but performed well overall finishing the year by surpassing the Policy benchmark. The Foundation's ongoing effort to increase its allocation to alternative assets (real estate, private equity, and infrastructure) was a major contributor to the positive total fund performance. Private equity's absolute return of 40.7% was the greatest contributor to the Endowment's return and a key driver of its strong relative performance.

Economic and political uncertainty influenced investor sentiment during the 2017 fiscal year. The surprise results of the UK Brexit referendum caused the pound sterling to depreciate and negatively affected European equities, albeit less so than predicted. Later in the year, the U.S. shift to GOP leadership following the November presidential election also shook global equity markets. However, investor sentiment soon recovered leading into 2017 and appeared enthusiastic about the prospect of growth, economic reform and higher inflation. Despite the political uncertainty, the Foundation's global equity holdings in aggregate (including the U.S.) achieved absolute returns of 14.2%. The Endowment benefitted from positions in the U.S. and emerging markets, while the fund's European holdings detracted from relative performance.

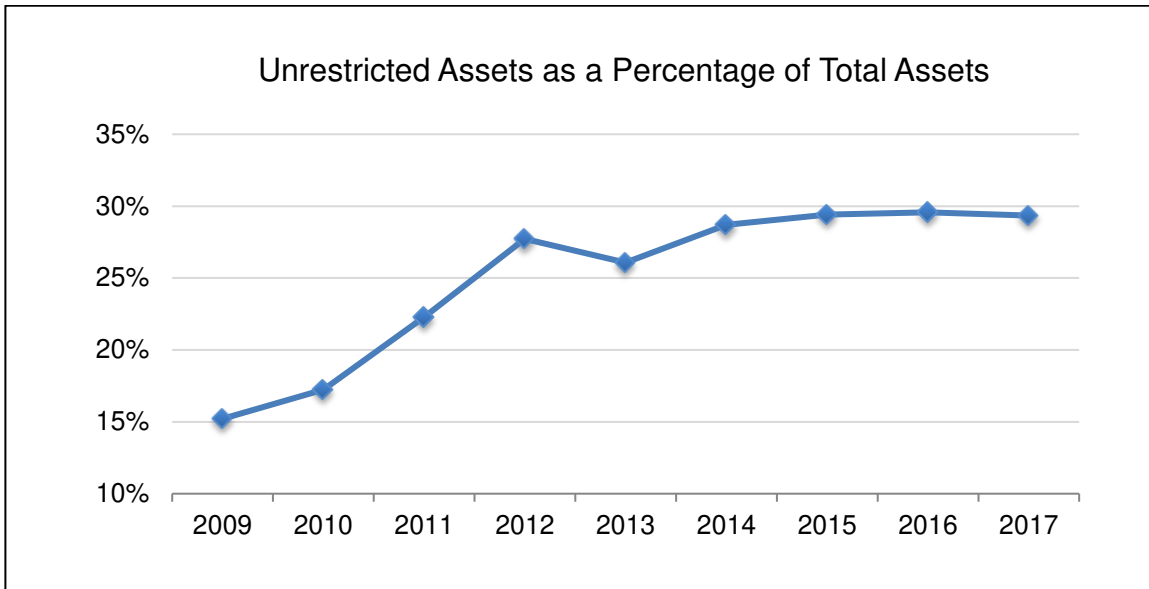
The Federal Reserve decisions in December and March to raise interest rates had negative effects on bond markets during the year. High yield bonds saw better performance during the latter part of the year with positive returns versus the government and investment grade markets. Overall, the Foundation's investment in high yield bonds contributed to the Endowment's performance with an absolute return of 16.1% – despite a relative lag against the benchmark due to quality constraints, as lower quality bonds outperformed higher quality holdings. Oil fell below \$40 per barrel over the summer of 2016, escalating the sale of energy sector securities, which was particularly harmful for Canadian equities and high yield bond funds. Over the latter part of the period, energy commodities saw modest recovery before a volatile March in anticipation of U.S. inventory levels and the implementation of OPEC supply cuts. Regardless, small cap Canadian

equity achieved an absolute return of 21.6%, which boosted the Endowment's overall performance. Meanwhile, large cap Canadian equity added marginally to relative performance and returned 17.7% overall. The Foundation's Canadian equity portfolio was collectively underweight in energy holdings limiting positive gains from sector recovery relative to the benchmark in the latter part of the year.

The Foundation continues to increase its allocation to alternative assets over time to meet the optimal weightings outlined in the Policy.

Unrestricted endowed funds

Attention is paid to the distribution of assets across the various types of funds. Community and Field of Interest funds, which are not restricted and are granted at the full discretion of the Foundation, have historically represented a significantly smaller percentage of the total assets than funds established to support a designated charitable organization or in which the advice of donors is sought. Unrestricted fund assets have grown as a percentage of the total endowed funds from 15% in 2009 to 29% in 2017. This growth was driven primarily by one significant-sized bequest.

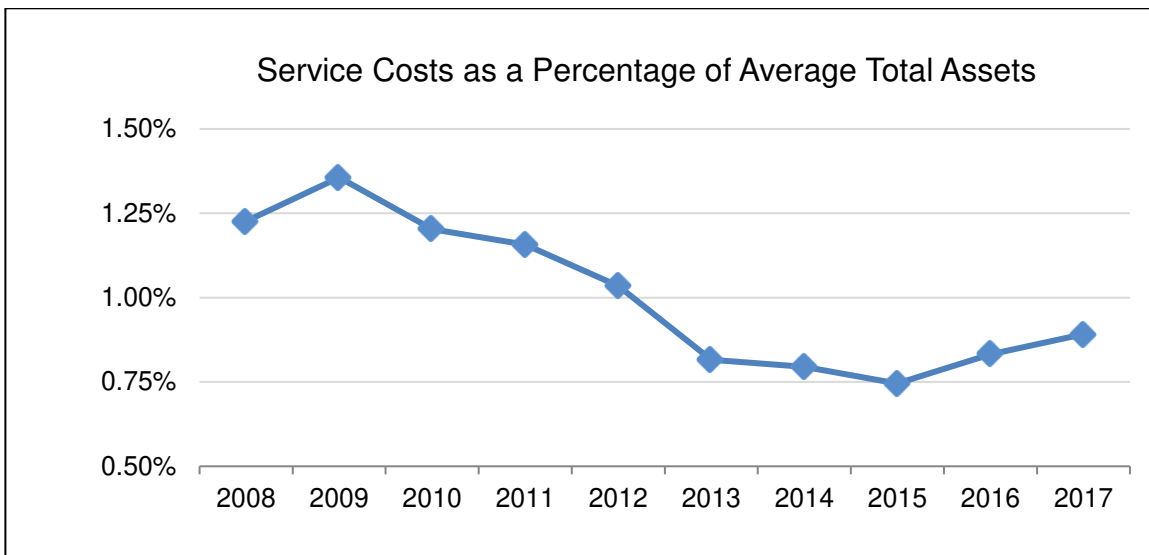


Organizational effectiveness

Desired Impact: Sound management and strong governance support the achievement of goals in a healthy workplace where employees and volunteers work as a team and thrive, and where resources and expectations are aligned.

Service costs as a percentage of average asset value has been commonly used by community foundations as a benchmark of efficiency. Service costs are impacted by the projects undertaken to support operations, the asset classes and structure of the investment management program, professional and technical costs directly attributable to gift acceptance and charitable initiatives in the community.

The Foundation aims to manage service costs to a range around 1% of average asset value.



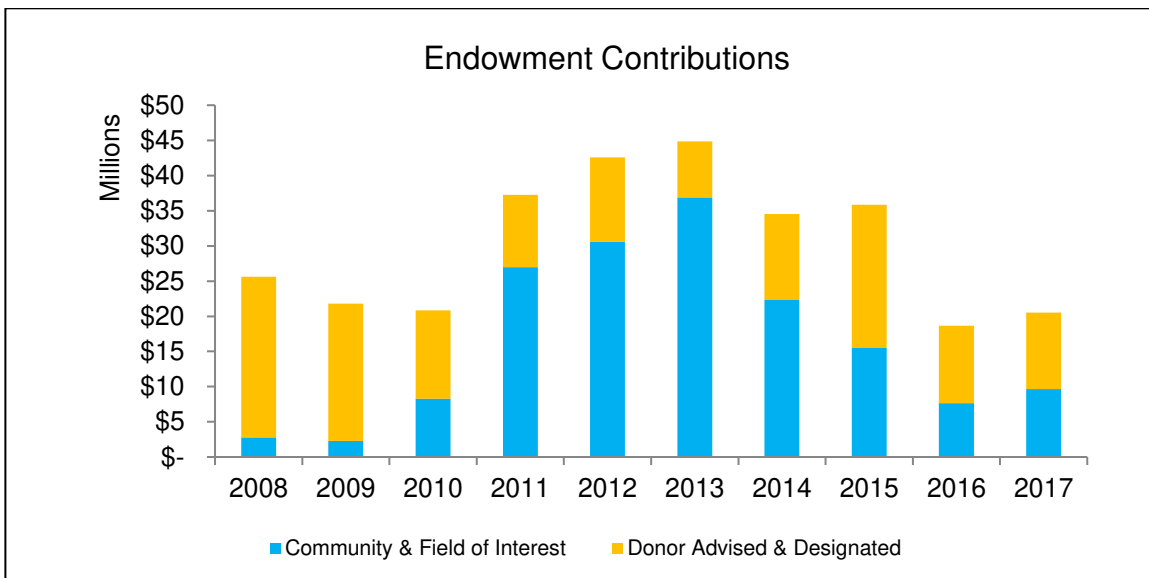
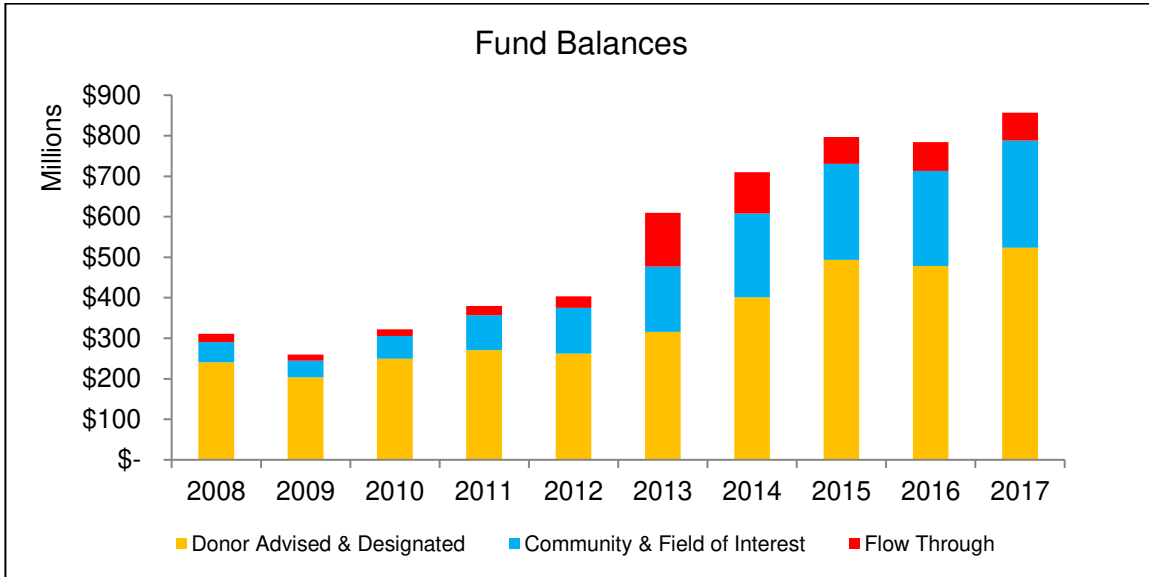
CAPABILITY TO DELIVER RESULTS AND HISTORICAL ANALYSIS

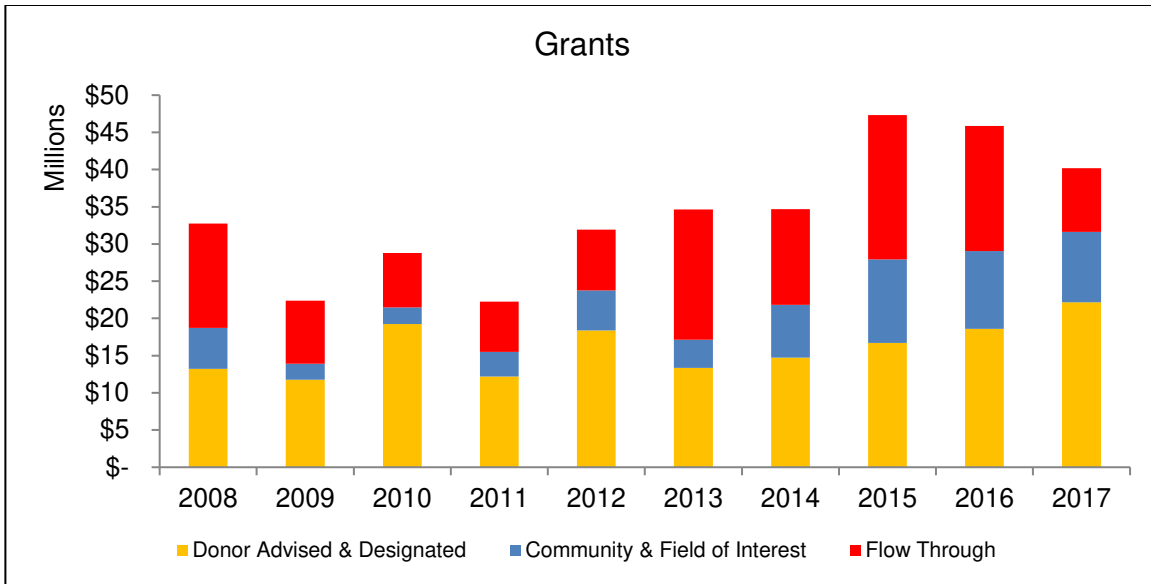
Assets

The Foundation's total assets under administration as at March 31, 2017 totalled \$925.6 million as compared to \$822.7 million at March 31, 2016. Of the total assets under administration at fiscal year-end, \$60.8 million (2016 – \$29.1 million) of assets represent funds administered for others. Funds administered for others are generally endowments owned by other charitable organizations. The funds administered for others liability is represented on the Consolidated Statement of Financial Position as a claim on the Foundation's primary endowment portfolio by these other charitable organizations.

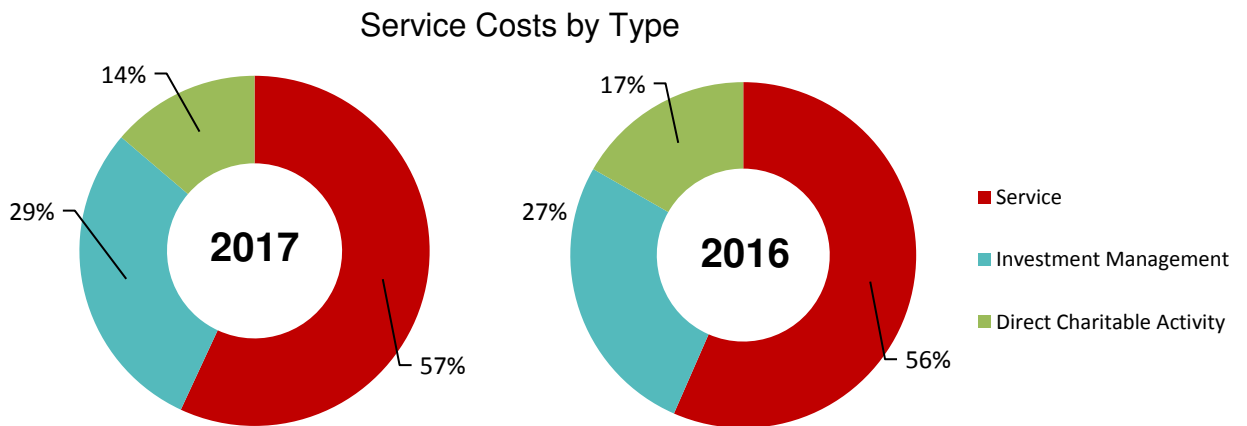
Operations

Further analysis of fund balances, or equity, endowment contributions and grants illustrates the allocation by Community & Field of Interest, from which grants are made at the discretion of the Foundation, Donor Advised & Designated from which grants are directed to charitable organizations with the advice of donors or designated at the time the fund is established, respectively, and non-endowed Flow-through funds from which grants are also directed to charitable organizations with the advice of donors.

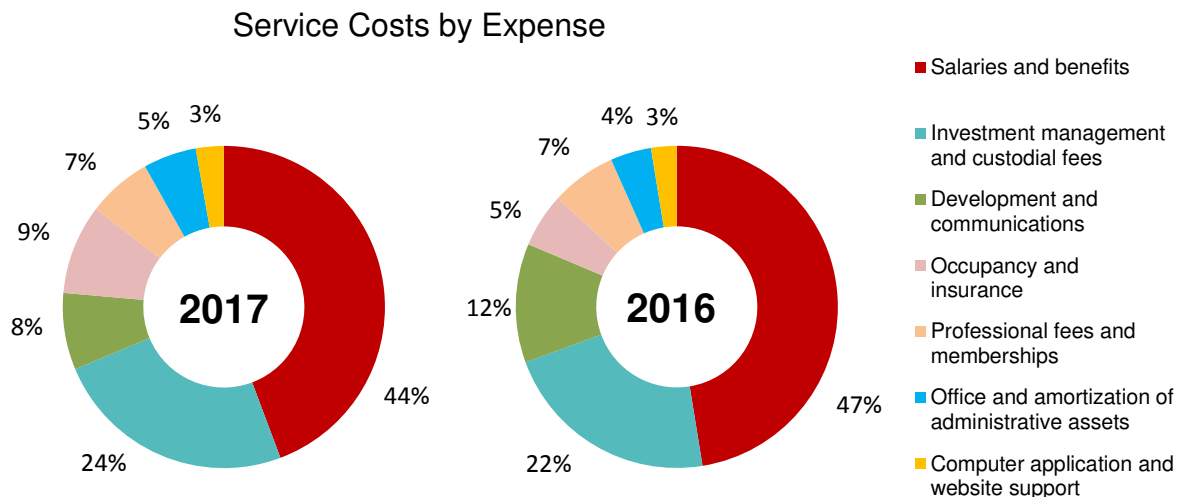




The service costs incurred to execute the strategy and drive performance are distinguished for management purposes between service costs (e.g. fund development, communications, accounting, computer support, general and administrative and related management), investment management costs (e.g. portfolio management, custodian, performance measurement and related management) and direct charitable activity costs (e.g. granting programs, proactive community leadership and related management). These costs totalled \$7.8 million (\$6.9 million in 2016).



The breakdown of total costs as per the financial statement presentation is as follows:



The service and investment management costs incurred to operate the Foundation that are not directly attributable to a particular gift are recovered from the funds. The recovery process is as follows:

- (i) A percentage of the market value of the individual endowment funds is recovered by way of a tiered schedule. The amount of this recovery totalled \$7.3 million in 2017 and \$7.1 million in 2016.
- (ii) Costs recovered from funds administered for others of \$0.4 million (\$0.3 million in 2016).

Interest earned on the money market instruments and fixed income securities, in which flow-through contributions are invested, totalled \$0.4 million (2016 – \$0.4 million). This revenue was previously used to fund service and investment management costs. Due to the continuing receipt of significant flow-through contributions, this interest revenue will be used for special initiatives that advance the purpose of the Foundation. This change to the use of the revenue was made possible by the growth in the primary endowment portfolio and the cost recovery therefrom.

Direct charitable activity costs are funded from the grant amounts available to spend from Community and Field of Interest funds.

PROSPECTIVE RISKS

The Foundation assumes that its operations in the 2018 fiscal year will be materially consistent with those in 2017. The Foundation follows a structured approach to enterprise risk management, wherein a risk register is established and risks are evaluated as to their consequence and likelihood. As identified in the prior year, two risks have been evaluated as having the highest intersection of consequence and likelihood:

Reputational: Media & Third Party Social Media Relations

Media and social media relations are at the centre of reputational crisis management. The Foundation has a strong history of professional, accurate social media communication and has built healthy relationships with key media contacts over the years. The Foundation has a formal crisis communications strategy in place to monitor and assess issues as they relate to the Foundation's reputation.

Financial: Philanthropic Giving

The economic recession in Alberta has, and continues to, visibly affect the impact of disposable income for charitable giving. The Foundation does not raise funds in the traditional method; rather, it seeks to effectively steward the philanthropic needs of existing and potential Fund founders and their families and next generations to build inspiration and engagement, ultimately resulting in new or repeat gifting, both during lifetime and beyond. In addition, deepening and fostering professional advisor relationships have been, and continue to be, an opportunity for highlighting the Foundation's tools and structures in support of effective and strategic charitable gift planning for families. The Foundation remains attentive to our donors and places continued emphasis on maintaining and communicating our unique positioning, relevance and impact.



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INDEPENDENT AUDITORS' REPORT

To the Directors of the Calgary Foundation

We have audited the accompanying consolidated financial statements of the Calgary Foundation, which comprise the consolidated statement of financial position as at March 31, 2017, the consolidated statements of operations and changes in foundation funds and cash flows for the year then ended, and notes, comprising a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with Canadian accounting standards for not-for-profit organizations, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on our judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, we consider internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

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Opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Calgary Foundation as at March 31, 2017, and its consolidated results of operations and its consolidated cash flows for the year then ended, in accordance with Canadian accounting standards for not-for-profit organizations.

Chartered Professional Accountants

KPMG LLP

June 12, 2017
Calgary, Canada

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THE CALGARY FOUNDATION

Consolidated Statement of Financial Position

March 31, 2017, with comparative figures for 2016

	2017	2016
Assets (note 3)		
Current assets:		
Cash and cash equivalents	\$ 98,095,860	\$ 83,002,806
Prepaid expenses	259,318	269,540
Insurance proceeds receivable	500,000	—
Accrued investment income	641,585	502,849
Loans receivable (note 5 and 11 (c))	3,175,000	500,000
	<u>102,671,763</u>	<u>84,275,195</u>
Investments, at fair value (note 4)	819,554,962	737,069,150
Other assets (note 6)	3,390,846	1,332,144
	<u>\$925,617,571</u>	<u>\$ 822,676,489</u>

Liabilities and Net Assets

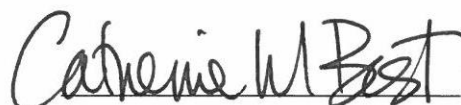
Current liabilities:		
Grants payable and accrued liabilities	\$ 6,380,575	\$ 8,667,473
Deferred flow-through grants (note 7)	68,897,581	70,659,868
	<u>75,278,156</u>	<u>79,327,341</u>
Non-current grants payable	1,202,500	900,000
Funds administered for others (note 8)	60,754,834	29,092,184
Foundation funds:		
Community and Field of Interest funds (note 7)	265,142,424	234,618,982
Donor advised and designated funds (note 7)	523,239,657	478,737,982
	<u>788,382,081</u>	<u>713,356,964</u>
Commitments (notes 9 and 11 (c))		
	<u>\$925,617,571</u>	<u>\$ 822,676,489</u>

See accompanying notes to consolidated financial statements.

On behalf of the Board:



Director



Director

CALGARY FOUNDATION

Consolidated Statement of Operations and Changes in Foundation Funds

Year ended March 31, 2017, with comparative figures for 2016

	Community & Field of Interest	Donor Advised & Designated	Flow-through	Total 2017	Total 2016
Revenue					
Contributions	\$ 9,671,765	\$ 10,854,167	\$ 5,428,383	\$ 25,954,315	\$ 38,349,998
Interest and dividends	6,899,528	13,516,675	12,873	20,429,076	26,438,338
Flow-through funds interest	330,290	–	120,555	450,845	481,510
Costs recovered from funds administered for others (note 8)	439,565	–	–	439,565	331,344
Realized capital gains (losses), net	6,482,962	12,733,431	475,445	19,691,838	74,070,514
Unrealized capital gains (losses), net	18,106,198	36,127,087	42,074	54,275,359	(99,828,279)
Total revenue	41,930,308	73,231,360	6,079,330	121,240,998	39,843,425
Expenditures					
Grants	(9,464,724)	(22,180,777)	(8,541,005)	(40,186,506)	(45,880,713)
Service costs, net (note 10)	(2,678,849)	(5,023,656)	(89,157)	(7,791,662)	(6,894,874)
Total expenditures	(12,143,573)	(27,204,433)	(8,630,162)	(47,978,168)	(52,775,587)
Transfers	736,707	(1,525,252)	788,545	–	–
Decrease (increase) in deferred flow-through grants	–	–	1,762,287	1,762,287	(3,991,072)
Change during the year	30,523,442	44,501,675	–	75,025,117	(16,923,234)
Balance, beginning of year	234,618,982	478,737,982	–	713,356,964	730,280,198
Balance, end of year	\$265,142,424	\$523,239,657	–	\$788,382,081	\$713,356,964

See accompanying notes to the consolidated financial statements.

CALGARY FOUNDATION

Consolidated Statement of Cash Flows

Year ended March 31, 2017, with comparative figures for 2016

	2017	2016
Cash provided from (used in):		
Operating activities:		
Change in Foundation funds	\$ 75,025,117	\$ (16,923,234)
Change in deferred flow-through grants	(1,762,287)	3,991,072
Change in funds administered for others (note 8)	31,662,650	1,459,282
Change in funds	104,925,480	(11,472,880)
Change in non-current grants payable	302,500	(1,580,440)
Items not involving cash:		
Realized capital (gain) loss on sale of investments	(20,712,300)	(76,995,689)
Unrealized capital loss (gain) on investments	(57,534,221)	103,714,140
Contributions of non-cash gifts	(7,139,531)	(17,367,528)
Costs recovered from funds administered for others (note 8)	(439,565)	(331,344)
Amortization of leasehold improvements and administration assets (note 10)	142,334	44,457
	19,544,697	(3,989,284)
Changes in non-cash working capital:		
Prepaid expenses	10,222	98,886
Accrued investment income	(138,736)	(146,240)
Grants payable and accrued liabilities	(2,286,898)	1,361,188
	17,129,285	(2,675,448)
Investing activities:		
Purchase of leasehold improvement and administrative assets	(2,161,229)	(152,036)
Impact investment (note 5)	(3,175,000)	-
Repayment of loan for real estate acquisition (note 5)	500,000	1,440,576
Proceeds from sale of endowment investments	114,971,563	356,859,659
Proceeds from maturation of flow-through investments	3,000,000	8,000,000
Purchase of endowment investments	(115,171,565)	(371,767,822)
	(2,036,231)	(5,619,623)
Net increase (decrease) in cash and cash equivalents	15,093,054	(8,295,071)
Cash and cash equivalents, beginning of year	83,002,806	91,297,877
Cash and cash equivalents, end of year	\$ 98,095,860	\$ 83,002,806

See accompanying notes to the consolidated financial statements.

CALGARY FOUNDATION

Notes to the Consolidated Financial Statements

Year ended March 31, 2017, with comparative figures for 2016

1. Calgary Foundation (the “Foundation”)

(a) Description of the Foundation

The Calgary Foundation (the “Foundation”) was incorporated in 1955 by the Calgary Foundation Act of the Legislative Assembly of Alberta. The Foundation is a registered charity classified as a public foundation under the Income Tax Act (Canada) and accordingly is exempt from income taxes and can issue donation receipts for income tax purposes.

The Foundation’s financial statements are prepared using Canadian accounting standards for Not-For-Profit Organizations in accordance with part III of the Chartered Professional Accountants (“CPA”) Canada Handbook.

(b) Foundation funds

Community & Field of Interest

These are endowment funds from which grants are directed to new and emerging needs of the community at the discretion of the Foundation. Field of interest fund grants are restricted by the donor to a charitable area, population or region at the time the fund is established.

Donor Advised & Designated

Donor advised funds are endowment funds from which grants are directed to charitable organizations with the advice of donors. Designated funds are endowment funds from which grants are directed to charitable organizations designated by the donor at the time the fund is established.

Flow-through

These are funds from which grants are directed to charitable organizations with the advice of donors. These funds are not endowment funds.

(c) Funds administered for others

These are funds owned by other charitable organizations and pooled with Foundation assets for investment purposes.

(d) Preservation of purchasing power

To support the policy of preserving the purchasing power of the permanent endowment funds, the Foundation limits the amount of annual grants to a percentage of the market value of each fund.

CALGARY FOUNDATION

Notes to the Consolidated Financial Statements, continued

Year ended March 31, 2017, with comparative figures for 2016

2. Significant accounting policies

(a) Principles of consolidation

The consolidated financial statements include the financial statements of the Foundation, The Calgary Foundation Investment Trust and The TCF Trust. The Calgary Foundation is the sole beneficiary of both The Calgary Foundation Investment Trust, a trust established on August 6, 2009, and The TCF Trust, a trust established on May 29, 2013. On consolidation, all transactions and balances between the Foundation, The Calgary Foundation Investment Trust and The TCF Trust have been eliminated.

The Foundation is the beneficial owner of all of the shares of certain other registered charities. The Foundation has the ability to appoint the majority of these organizations' boards of directors. The accounts of these controlled organizations have not been consolidated with the accounts of the Foundation. Instead, the Foundation discloses financial information about these controlled organizations as prescribed by part III, section 4450 of the CPA Handbook (note 11). These controlled organizations follow the deferral method of accounting for contributions.

(b) Financial instruments

Financial instruments are recorded at fair value. Financial instruments trading on a recognized public stock exchange are recognized at fair value as established by the closing price. Freestanding derivative instruments that are not in a qualifying hedging relationship and equity instruments that are quoted in an active market are subsequently measured at fair value. The fair value of limited partnership investments in real estate, private equity and infrastructure is calculated using the most recent audited financial statements, unaudited financial statements and unaudited financial information. All other financial instruments are subsequently recorded at cost or amortized cost, unless management has elected to carry the instruments at fair value.

Transaction costs incurred on the acquisition of financial instruments measured subsequently at fair value are expensed as incurred. All other financial instruments are adjusted by transaction costs incurred on acquisition and financing costs, which are amortized using the straight-line method.

Financial assets are assessed for impairment on an annual basis at the end of the fiscal year if there are indicators of impairment. If there is an indicator of impairment, the Foundation determines if there is a significant adverse change in the expected amount or timing of future cash flows from the financial asset. If there is a significant adverse change in the expected cash flows, the carrying value of the financial asset is reduced to the highest of the present value of the expected cash flows, the amount that could be realized from selling the financial asset or the amount the Foundation expects to realize by exercising its right to any collateral. If events and circumstances reverse in a future period, an impairment loss will be reversed to the extent of the improvement, not exceeding the initial carrying value.

CALGARY FOUNDATION

Notes to the Consolidated Financial Statements, continued

Year ended March 31, 2017, with comparative figures for 2016

2. Significant accounting policies (continued)

(c) Foreign currency translation

Investments and accrued income receivable denominated in foreign currencies are translated to Canadian dollars at the exchange rate in effect on the date of the statement of financial position. Investment income denominated in foreign currencies is translated to Canadian dollars at the exchange rate in effect when realized.

(d) Revenue recognition

Interest on bonds and short-term notes is recorded as earned on an accrual basis. Dividends that have been declared are recorded as income on the date of record set for the dividend. Realized and unrealized capital gains and losses are recorded in the statement of operations when earned.

(e) Contributions

The Foundation follows the restricted fund method of accounting for endowment and flow-through contributions. Contributions are recognized when the amount can be reasonably estimated and collection is assured. Flow-through contributions not distributed in the year of receipt are recorded as a liability until the grants are made.

(f) Leasehold improvements and administrative assets

The Foundation capitalizes and amortizes leasehold improvements and administrative assets as follows:

Administrative assets	3 to 5 years
Leasehold improvements	10 years

(g) Cash and cash equivalents

Cash and cash equivalents comprise cash on hand and temporary investments with an original maturity date of three months or less.

CALGARY FOUNDATION

Notes to the Consolidated Financial Statements, continued

Year ended March 31, 2017, with comparative figures for 2016

2. Significant accounting policies (continued)

(h) Use of estimates

The preparation of financial statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the period. Estimates include the valuation of investments and the recoverability and useful life of administrative and leasehold improvement assets. Consequently, actual results may differ from those estimates.

(i) Contributed services

A substantial number of volunteers contribute a significant amount of time each year. Because of the difficulty of determining the fair value, contributed services are not recognized in the financial statements.

3. Assets by fund

	Community & Field of interest	Donor Advised & Designated	Flowthrough	Funds Administered for Others	Total
Cash and cash equivalents	\$ 15,918,993	\$ 23,409,012	\$ 56,324,916	\$ 2,442,939	\$ 98,095,860
Prepaid expenses	242,361	16,957	–	–	259,318
Insurance proceeds receivable	–	–	500,000	–	500,000
Accrued investment income	279,125	282,788	45,836	33,836	641,585
Current portion of loan receivable	–	–	3,175,000	–	3,175,000
Investments, at fair value	252,836,489	499,286,100	9,154,314	58,278,059	819,554,962
Other assets	2,281,816	1,109,030	–	–	3,390,846
March 31, 2017	\$ 271,558,784	\$ 524,103,887	\$ 69,200,066	\$ 60,754,834	\$ 925,617,571
March 31, 2016	\$ 243,258,385	\$ 479,591,404	\$ 70,734,516	\$ 29,092,184	\$ 822,676,489

CALGARY FOUNDATION

Notes to the Consolidated Financial Statements, continued

Year ended March 31, 2017, with comparative figures for 2016

4. Investments

The Foundation records its investments at fair value. The following table is a summary of the fair value of the Foundation's investments.

	2017	2016
Bonds and debentures		
Investment grade	\$147,339,403	\$153,295,388
High yield	44,716,271	38,704,065
	<hr/> 192,055,674	<hr/> 191,999,453
Stocks		
Canada	229,804,033	220,238,862
International	272,924,126	253,589,779
	<hr/> 502,728,159	<hr/> 473,828,641
Real estate	42,197,491	27,102,690
Infrastructure	24,722,770	5,157,478
Private equity	57,850,868	38,980,888
	<hr/> \$819,554,962	<hr/> \$737,069,150

5. Loans receivable

The loans receivable relate to the Foundation's Community Impact Investment program. The Community Impact Investment program provides debt financing to Calgary and area charities and not-for-profit organizations working in all parts of the community. The program augments investments from traditional financial institutions or provides investments to organizations with credit capacity but who are unable to secure financing from a bank or other financial institution.

CALGARY FOUNDATION

Notes to the Consolidated Financial Statements, continued

Year ended March 31, 2017, with comparative figures for 2016

5. Loans receivable (continued)

	2017		2016
Loan to Kahanoff Centre for Charitable Activities, repayable on demand, bearing interest at 0.50% per annum.	\$3,000,000	\$	–
Loan to Autism Aspergers Friendship Society, repayable in full August 2018, bearing interest at 5.50% per annum.	175,000		–
Loan to cSPACE, repayable in full November 2016, bearing interest at 4.75% per annum.	–		500,000
Current portion of loans receivable	(3,175,000)		(500,000)
	\$ –	\$	–

6. Other assets

	2017	2016
Cash surrender value of donated life insurance policies	\$1,085,784	\$ 1,066,678
Leasehold improvements, net of accumulated amortization of \$225,454 (March 31, 2016 - \$127,267)	2,087,265	151,406
Administrative assets, net of accumulated amortization of \$330,431 (March 31, 2016 - \$306,985)	177,525	73,788
Miscellaneous	40,272	40,272
	\$3,390,846	\$1,332,144

The Foundation is the beneficiary named under whole life and term life insurance policies as follows:

	2017			2016	
	Premiums paid	Cash surrender value	Face value	Face value	
Whole life policies	\$ 131,709	\$ 1,085,784	\$ 14,619,609	\$ 15,258,509	
Term life policies	17,400	–	615,000	615,000	
	\$ 149,109	\$ 1,085,784	\$ 15,234,609	\$ 15,873,509	

The cash surrender value of donated life insurance policies is recorded as an asset. As the realizable amount in excess of the cash surrender value is not certain, the Foundation will record the benefits when the receipt of the proceeds can be estimated and collection is reasonably assured.

CALGARY FOUNDATION

Notes to the Consolidated Financial Statements, continued

Year ended March 31, 2017, with comparative figures for 2016

7. Foundation funds

The capital of the Foundation is comprised of funds for which the Board seeks varying degrees of donor input on grant distribution.

	2017	2016
Community	\$ 212,405,645	\$187,197,441
Field of Interest	52,736,779	47,421,541
	<u>\$ 265,142,424</u>	<u>\$234,618,982</u>
Donor advised	\$ 275,027,468	\$252,162,570
Designated	248,212,189	226,575,412
	<u>\$ 523,239,657</u>	<u>\$478,737,982</u>
Deferred flow-through	68,897,581	70,659,868
	<u>\$ 857,279,662</u>	<u>\$784,016,832</u>

Deferred flow-through grants represent flow-through contributions received prior to March 31, 2017 and not granted at fiscal year end, net of investment gains and losses and service costs, if applicable. This amount is deferred and recorded as a liability until the grants are designated and paid.

8. Funds administered for others

a) Change in Funds administered for others

	2017	2016
Increases		
Deposits	\$27,508,116	\$ 2,360,600
Interest and dividends	1,144,415	1,040,690
Realized capital gains, net	1,020,462	2,925,175
Unrealized capital gains, net	3,258,862	–
Total increases	<u>32,931,855</u>	<u>6,326,465</u>
Decreases		
Withdrawals	(829,640)	(649,978)
Service fees	(439,565)	(331,344)
Unrealized capital losses, net	–	(3,885,861)
Total decreases	<u>(1,269,205)</u>	<u>(4,867,183)</u>
Change during the year	31,662,650	1,459,282
Balance, beginning of year	29,092,184	27,632,902
Balance, end of year	<u>\$60,754,834</u>	<u>\$29,092,184</u>

CALGARY FOUNDATION

Notes to the Consolidated Financial Statements, continued

Year ended March 31, 2017, with comparative figures for 2016

8. Funds administered for others (continued)

b) Assets held on the statement of financial position:

	2017	2016
Canadian Hockey Foundation Fund	\$ 10,160,305	\$ 9,019,401
Anonymous Managed Fund	8,372,373	–
Genesis Centre Common Areas Operating Reserve Account	8,354,288	–
Genesis Centre Common Areas Lifecycle Reserve Account	5,297,324	–
Calgary Academy Managed Fund	4,789,171	–
Ann & Sandy Cross Conservation Area Fund	4,492,906	4,199,103
NECCS Capital Maintenance (Life Cycle) Reserve Fund	2,933,129	2,614,342
CSPG Educational Trust Fund	1,615,886	1,682,360
Gordon & Lucille Kerr Managed Fund		
for Calgary Grace Lutheran Church	1,441,677	–
Estelle J. Siebens Outreach Endowment Fund	1,351,113	1,249,874
Safe Haven Foundation Managed Fund	1,138,493	1,016,202
Rotary Club of Calgary Managed Fund	1,068,936	968,445
Foothills Academy Society Bursary Trust Fund	1,055,483	976,921
Alberta Stockmen's Memorial Association Fund	1,014,052	949,537
CSEG Foundation Managed Fund	822,154	733,951
Knox United Church Foundation of Calgary Fund	773,401	709,078
Alberta Emerald Foundation Managed Fund	717,689	640,694
Calgary Highlanders Regimental Funds Foundation Fund	661,083	588,701
Fig Tree Charitable Foundation Fund	650,442	627,607
Calgary Habitat for Humanity House Repurchase Fund	584,699	521,971
Vecova Centre for Disability Services and Research Fund	579,327	515,896
Bow River Basin Council Society Account	503,212	–
Foothills Academy Tuition Assistance Fund	451,976	418,344
Camp Okotoks Society Fund	439,031	406,573
Christ Church Endowment Trust Managed Fund	407,034	309,356
Brown Bagging for Calgary Street Kids Society	310,777	277,436
NECCS Operating Reserve Fund	300,280	267,402
KidSport Society of Calgary Managed Fund	263,718	142,016
Calgary Centre for Global Community Fund	204,875	256,974
	\$ 60,754,834	\$29,092,184

CALGARY FOUNDATION

Notes to the Consolidated Financial Statements, continued

Year ended March 31, 2017, with comparative figures for 2016

9. Commitments

The Calgary Foundation Investment Trust has unfunded investment commitments relating to real estate, infrastructure and private equity limited partnerships.

Asset class	Currency		
	March 31, 2017		
	Canadian dollar	US dollar	Euro
Commitments, unfunded	\$ 6,525,791	\$ 130,704,703	€ 7,859,199
Real estate	6,525,791	27,020,735	–
Infrastructure	–	53,994,933	–
Private equity	–	49,689,035	7,859,199

Asset class	Currency		
	March 31, 2016		
	Canadian dollar	US dollar	Euro
Commitments, unfunded	\$ –	\$ 63,019,142	€ 10,800,000
Real estate	–	23,279,903	–
Infrastructure	–	18,979,247	–
Private equity	–	20,759,992	10,800,000

At March 31, 2017, the unfunded investment commitments denominated in U.S. dollars is \$130.7 million (2016 – \$63.0 million), translated into Canadian dollars in the amount of \$174.3 million (2016 – \$81.5 million). The unfunded investment commitments denominated in Euros is €7.9 million (2016 – €10.8 million), translated into Canadian dollars in the amount of \$11.2 million (2016 – \$15.9 million). The unfunded amounts may be drawn on demand.

CALGARY FOUNDATION

Notes to the Consolidated Financial Statements, continued

Year ended March 31, 2017, with comparative figures for 2016

9. Commitments (continued)

The Foundation has entered into an agreement with a controlled organization, the Kahanoff Centre for Charitable Activities, to rent office space under an operating lease. The future annual payments under the lease are estimated to be:

2018	\$ 575,000
2019	575,000
2020	575,000
2021	575,000
2022 and after	3,210,000
	<u>\$5,510,000</u>

The Foundation continues to rent its previous office space under the existing operating lease which expires in 2018. This office space is being subleased to a registered charity at no cost to the registered charity. The annual payments for 2018 are estimated to be \$350,000.

10. Service costs

	2017	2016
Salaries and benefits	\$3,442,020	\$3,263,127
Investment management and custodial fees	1,896,730	1,510,931
Occupancy and insurance	700,747	373,818
Development and communications	598,903	820,943
Professional fees	330,553	278,853
Office	271,634	237,622
Computer application and website support	217,765	176,994
Memberships	171,305	171,172
Amortization of administration assets	142,334	44,457
Premiums to maintain life insurance policies	149,109	147,003
Contributions to pay premiums to maintain life insurance policies	(129,438)	(130,046)
	<u>\$7,791,662</u>	<u>\$6,894,874</u>

The Foundation recovers service costs from Community & Field of Interest and Donor Advised & Designated funds by way of a cost recovery based on the market value of each fund. Service costs are recovered from Funds administered for others in accordance with the agreements. Expenses incurred for a specific fund are charged to that fund.

CALGARY FOUNDATION

Notes to the Consolidated Financial Statements, continued

Year ended March 31, 2017, with comparative figures for 2016

11. Controlled organizations

(a) Esther Honens Calgary International Piano Competition Foundation

The Foundation is the beneficial owner of all the shares of the Esther Honens Calgary International Piano Competition Foundation (“Competition Foundation”) which is responsible for a piano competition held every three years. The Competition Foundation was incorporated under the Companies Act and has been granted tax exempt status as a registered charity under paragraph 149(1)(f) of the Income Tax Act. The Foundation’s Esther Honens International Piano Competition Foundation Fund, Honens Future Growth Fund, American Friends of Canada Fund and Honens Legacy Partners Fund are endowment funds that provide annual revenue to the Competition Foundation. At March 31, 2017 the market value of the four funds totalled \$14.4 million (2016 – \$12.4 million).

Esther Honens Calgary International Piano Competition Foundation		
As at and for the year ended	December 31, 2016	December 31, 2015
Revenues	\$2,174,838	\$2,420,895
Revenues from the endowment funds	500,089	472,266
Expenses	1,933,695	2,756,013
Assets	614,335	399,359
Liabilities	475,049	515,937
Shareholders’ equity (deficiency)	139,286	(116,578)

(b) Eleanor Luxton Historical Foundation

The Foundation is the beneficial owner of all the shares of the Eleanor Luxton Historical Foundation (“Luxton Foundation”). The Luxton Foundation was incorporated under the Companies Act and has been granted tax exempt status as a registered charity under paragraph 149(1)(f) of the Income Tax Act. The purpose of the Luxton Foundation is to preserve and promote the historical real estate and artifacts relating to the original settlements of the Banff area. The Foundation holds the Luxton Historical Foundation Fund, which provides annual funding to support the Luxton Foundation. At March 31, 2017 the Luxton Historical Foundation Fund had a market value of \$5.4 million (2016 - \$4.9 million).

CALGARY FOUNDATION

Notes to the Consolidated Financial Statements, continued

Year ended March 31, 2017, with comparative figures for 2016

11. Controlled organizations (continued)

(b) Eleanor Luxton Historical Foundation (continued):

Eleanor Luxton Historical Foundation		
As at and for the year ended	December 31, 2016	December 31, 2015
Revenues	\$238,420	\$325,699
Revenues from the endowment fund	196,801	206,657
Expenses	255,014	255,889
Assets	1,132,612	1,152,706
Liabilities	6,046	9,546
Unrestricted net assets	183,486	199,510

(c) Kahanoff Centre for Charitable Activities

The Foundation is the beneficial owner of all the shares of the Kahanoff Centre for Charitable Activities ("Kahanoff Centre"). The Kahanoff Centre provides office and conference space to Calgary not-for-profit organizations at discounted rates, to the benefit of the Calgary community. The Kahanoff Centre was incorporated under the Companies Act and has been granted tax exempt status as a registered charity under paragraph 149(1)(f) of the Income Tax Act.

Kahanoff Centre for Charitable Activities		
As at and for the year ended	December 31, 2016	December 31, 2015
Revenues	\$3,326,715	\$2,577,722
Expenses	4,449,635	2,415,386
Assets	52,176,182	57,137,068
Liabilities	42,995,475	46,833,441
Unrestricted (deficit) surplus	(512,561)	610,359

In the Foundation's fiscal year ended March 31, 2017, no grants were approved or paid to the Kahanoff Centre (2016 - \$124,000 paid).

CALGARY FOUNDATION

Notes to the Consolidated Financial Statements, continued

Year ended March 31, 2017, with comparative figures for 2016

11. Controlled organizations (continued)

(c) Kahanoff Centre for Charitable Activities (continued):

The Kahanoff Centre completed the expansion of its capacity to provide office space to Calgary not-for-profit organizations by constructing a second building on property owned by the Kahanoff Centre immediately to the east of its existing building. The Foundation has committed to guarantee up to \$37.5 million of financing related to the construction of the facility. As of March 31, 2017, the Kahanoff Centre has borrowed \$37.2 million in construction financing (2016 – \$21.9 million).

Additionally, the Foundation loaned \$3.0 million (2016 – \$ nil) to the Kahanoff Centre as part of the Foundation's Community Impact Investment program. The loan was used for construction of the second building and is included in the liabilities presented in the table above.

Subsequent to year end, the Foundation amended the terms of the loan to the Kahanoff Centre. On May 15, 2017, the \$3 million demand loan bearing interest at 0.50% per annum was rolled over into a long-term loan. Additionally, the loan amount was increased from \$3.0 million to \$5.0 million with interest accruing at the following rates:

- Until December 31, 2017 0.5%
- Commencing January 1, 2018 1.0%
- Commencing January 1, 2019 1.5%
- Commencing January 1, 2020 2.0%
- Commencing January 1, 2021 2.5%
- Commencing January 1, 2022 3.0%
- Commencing January 1, 2023 3.5%
- Commencing January 1, 2024 4.0%

The loan matures on December 31, 2026 and does not have specified repayment terms. The remaining loan balance will be renegotiated on maturity.

During fiscal 2017, the Foundation relocated its offices to the Kahanoff Centre which necessitated the construction of leasehold improvements. The Foundation paid the Kahanoff Centre \$1.8 million (2016 – \$0.1 million) for the costs related to leasehold improvements.

CALGARY FOUNDATION

Notes to the Consolidated Financial Statements, continued

Year ended March 31, 2017, with comparative figures for 2016

12. Significantly influenced organization

Calgary Stampede Foundation

The Foundation is the beneficial owner of one of the two authorized, issued and outstanding shares of the Calgary Stampede Foundation ("Stampede Foundation"). The Stampede Foundation was incorporated under the Companies Act and has been granted tax exempt status as a registered charity under paragraph 149(1)(f) of the Income Tax Act. The Foundation has a right to appoint a minority of the Stampede Foundation's board of directors. The Stampede Foundation's objective is to establish programs for the benefit of young residents of Southern Alberta to advance their knowledge and understanding of the history, heritage, traditions and culture of Alberta.

In the Foundation's fiscal year ended March 31, 2017, grants totalling \$362,000 were made by the Foundation from Community and Flow-through funds to the Stampede Foundation (2016 - \$12,500).

13. Fund-raising expenses and other

As required under Section 7(2) of the Regulations of the Charitable Fund-raising Act of Alberta, the Foundation discloses that the service costs incurred for the purposes of soliciting contributions were \$2,314 (2016 - \$2,753). The total amount paid as remuneration to employees of the Foundation whose principal duties involve fundraising was \$ 337,864 (2016 - \$360,801).

No single disposition of contributions equalled or exceeded 10% of the gross contributions received for the twelve month period ended March 31, 2017 (2016 - A grant of \$7,835,625 to a public foundation equalled or exceeded 10% of the gross contributions).

CALGARY FOUNDATION

Notes to the Consolidated Financial Statements, continued

Year ended March 31, 2017, with comparative figures for 2016

14. Financial instruments

The Foundation classifies its financial instruments at fair value according to the following hierarchy based on the amounts of observable inputs used to value the instrument. Assessment of the significance of a particular input to the fair value measurement requires judgement and may affect placement within the fair value hierarchy.

- Level 1 – quoted prices (unadjusted) in active markets for identical assets or liabilities.
- Level 2 – inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly (i.e., as prices) or indirectly (i.e., derived from prices).
- Level 3 – inputs for the asset or liability that are not based on observable market data (unobservable inputs).

There have been no transfers between levels during the year.

The fair value of the limited partnerships in real estate, private equity and infrastructure is determined using accepted industry valuation methods at the discretion of the external investment managers or General Partner.

The following is a summary of the Foundation's investments using the fair value hierarchy.

Investments at fair value as at March 31, 2017				
	Level 1	Level 2	Level 3	Total
Bonds and debentures, Investment grade	\$ –	\$147,339,403	\$ –	\$ 147,339,403
Bonds and debentures, High yield	–	44,716,271	–	44,716,271
Stocks, Canada	229,804,033	–	–	229,804,033
Stocks, International	272,924,126	–	–	272,924,126
Real estate	–	–	42,197,491	42,197,491
Infrastructure	–	–	24,722,770	24,722,770
Private equity	–	–	57,850,868	57,850,868
	\$ 502,728,159	\$192,055,674	\$ 124,771,129	\$ 819,554,962

CALGARY FOUNDATION

Notes to the Consolidated Financial Statements, continued

Year ended March 31, 2017, with comparative figures for 2016

14. Financial instruments (continued)

Investments at fair value as at March 31, 2016				
	Level 1	Level 2	Level 3	Total
Bonds and debentures, Investment grade	\$ –	\$153,295,388	\$ –	\$ 153,295,388
Bonds and debentures, High yield	–	38,704,065	–	38,704,065
Stocks, Canada	220,238,862	–	–	220,238,862
Stocks, International	253,589,779	–	–	253,589,779
Real estate	–	–	27,102,690	27,102,690
Infrastructure	–	–	5,157,478	5,157,478
Private equity	–	–	38,980,888	38,980,888
	\$ 473,828,641	\$191,999,453	\$ 71,241,056	\$ 737,069,150

15. Financial risk management

The Foundation has exposure to the following risks from its use of financial instruments:

- Credit risk
- Liquidity risk
- Market risk

The Foundation adheres to Statements of Investment Policy, approved by the Board of Directors, which outline the objectives, policies and measures related to its investing activities. These policies prescribe qualitative and quantitative parameters around the investments held by the Foundation in its pooled funds and impact investments in order to moderate the financial risks. The Board of Directors is accountable for the establishment and oversight of the Foundation's risk management framework.

CALGARY FOUNDATION

Notes to the Consolidated Financial Statements, continued

Year ended March 31, 2017, with comparative figures for 2016

15. Financial risk management (continued)

(a) Credit risk:

Credit risk is the risk that a counterparty to a financial instrument will fail to discharge an obligation or commitment resulting in a financial loss to the Foundation. The fair value of a financial instrument takes into account the credit rating of its issuer. The Foundation's investments in cash equivalents, loans receivable and bonds and debentures are subject to credit risk. The maximum exposure to credit risk on these instruments is their carrying value. The Foundation manages the risk by ensuring compliance with the limits to the credit exposure for the pooled funds, engaging a professional investment manager to actively evaluate the creditworthiness of the issuers of the high yield debt and charging Foundation management with the periodic review of the financial strength and ability to service the loan of impact investment borrowers. Cash equivalents are substantially all Government of Canada Treasury Bills. As at March 31, 2017, the Foundation's credit exposures in its fixed income portfolios were as follows:

Credit rating	Percentage of the market value of the fixed income portfolios	
	2017	
	Investment grade bond	High yield bond
Bonds and debentures, at fair value	\$147,339,403	\$ 44,716,271
AAA	38.6%	–
AA	28.5%	2.8%
A	23.5%	2.1%
BBB	9.4%	8.7%
BB	–	38.0%
<BB	–	48.4%

CALGARY FOUNDATION

Notes to the Consolidated Financial Statements, continued

Year ended March 31, 2017, with comparative figures for 2016

15. Financial risk management (continued)

(a) Credit risk: (continued)

Credit rating	Percentage of the market value of the fixed income portfolios	
	Investment grade bond	High yield bond
Bonds and debentures, at fair value	\$153,295,388	\$ 38,704,065
AAA	41.1%	1.7%
AA	25.9%	2.1%
A	23.9%	3.4%
BBB	9.1%	13.0%
BB	–	27.5%
<BB	–	52.3%

The management of credit risk has not changed materially during the year.

(b) Liquidity risk:

Liquidity risk is the risk that the Foundation will not be able to meet its liabilities as they fall due. A majority of the Foundation's assets are investments traded in active markets that can be readily liquidated and therefore the Foundation's liquidity risk is considered minimal. In addition, the Foundation aims to retain sufficient cash positions to manage liquidity. The Foundation's exposure to and management of liquidity risk has not changed materially during the year.

(c) Market risk:

Market risk is the risk that changes in market prices, as a result of changes in foreign exchange rates, interest rates and equity prices, will affect the Foundation's income or the value of its holdings of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while maximizing the return.

CALGARY FOUNDATION

Notes to the Consolidated Financial Statements, continued

Year ended March 31, 2017, with comparative figures for 2016

15. Financial risk management (continued)

(c) Market risk (continued):

(i) Currency risk:

Investments in securities denominated in foreign currencies are exposed to currency risk due to fluctuations in foreign exchange rates. The Foundation is exposed to currency risk on its foreign market common stock and its foreign market bonds and debentures, as the prices denominated in foreign currencies are converted to Canadian dollars in determining fair value. The objective of the Foundation's Statements of Investment Policy is to control currency risk by limiting the allocation to non-Canadian denominated securities and maintaining a geographically diversified portfolio.

Currency	Percentage of the market value of investments	
	2017	2016
Investments, at fair value	\$819,554,962	\$737,069,150
Canadian dollar	54.0%	53.6%
US dollar	29.8%	28.9%
Euro	7.4%	6.7%
British pound	3.4%	3.1%
Japanese yen	1.8%	2.0%
Other	3.6%	5.7%

Total hedged and unhedged investments held in foreign currencies as at March 31, 2017 was \$376,980,010, 46.0% of investments (2016 - \$342,322,391, 46.4%). The most significant exposure to currency risk is \$244,471,327, 29.8% of investments (2016 - \$212,956,672, 28.9% of investments) denominated in US dollars and not hedged to the Canadian dollar. A hypothetical 10 percent weakening (strengthening) of the Canadian dollar against the US dollar at March 31, 2017 would have increased (decreased) net assets and investment income for the year by \$24.4 million (2016 - \$21.3 million). This analysis assumes that all other variables, in particular interest rates, remained constant.

CALGARY FOUNDATION

Notes to the Consolidated Financial Statements, continued

Year ended March 31, 2017, with comparative figures for 2016

15. Financial risk management (continued)

(c) Market risk (continued):

(ii) Interest rate risk:

Interest rate risk arises from the possibility that changes in interest rates will affect future cash flows or the fair values of interest bearing financial instruments held by the Foundation. Duration is a common measure of the sensitivity of the price of a bond to a change in interest rates. At fiscal year end, the bond portfolios had an average duration as follows:

	2017	
	Investment grade bond	High yield bond
Bonds and debentures, at fair value	\$147,339,403	\$44,716,271
Duration (years)	6.8	3.5
Assumed increase in interest rates	+1%	+1%
Approximate resulting decrease in value	\$(10.0 million)	\$(1.6 million)
Approximate resulting percentage decrease	(6.8%)	(3.5%)
Assumed decrease in interest rates	-1%	-1%
Approximate resulting increase in value	\$10.0 million	\$1.6 million
Approximate resulting percentage increase	6.8%	3.5%
	2016	
	Investment grade bond	High yield bond
Bonds and debentures, at fair value	\$153,295,388	\$38,704,065
Duration (years)	7.5	3.3
Assumed increase in interest rates	+1%	+1%
Approximate resulting decrease in value	\$(11.5 million)	\$(1.3 million)
Approximate resulting percentage decrease	(7.5%)	(3.3%)
Assumed decrease in interest rates	-1%	-1%
Approximate resulting increase in value	\$11.5 million	\$1.3 million
Approximate resulting percentage increase	7.5%	3.3%

CALGARY FOUNDATION

Notes to the Consolidated Financial Statements, continued

Year ended March 31, 2017, with comparative figures for 2016

15. Financial risk management (continued)

(c) Market risk (continued):

(iii) Equity price risk:

Equity price risk is the risk that the value of a financial instrument will fluctuate due to changes in equity markets. The Foundation is exposed to equity price risk on its equity portfolio. The Statements of Investment Policy apply to all investments held in the Foundation's pooled funds and it includes restrictions regarding the minimum and maximum amount of various asset classes. The diversification across various asset classes is expected to decrease the volatility of portfolio returns due to the lack of correlation between returns. The assumed increase in market prices is based on the Foundation's expectations for long-term rates of return.

	2017	
	Canada	International
Stocks, at fair value	\$229,804,033	\$272,924,126
Assumed increase in market prices	+7%	+7%
Approximate resulting increase in value	\$16.1 million	\$19.1 million
Assumed decrease in market prices	-7%	-7%
Approximate resulting decrease in value	\$(16.1 million)	\$(19.1 million)

	2016	
	Canada	International
Stocks, at fair value	\$220,238,862	\$253,589,779
Assumed increase in market prices	+7%	+7%
Approximate resulting increase in value	\$15.4 million	\$17.8 million
Assumed decrease in market prices	-7%	-7%
Approximate resulting decrease in value	\$(15.4 million)	\$(17.8 million)

16. Comparative figures

Certain comparative figures have been restated to conform to the current year presentation.

17. Government remittances

The Foundation has no significant outstanding government remittances as at March 31, 2017 (2016 – nil).